



SALMAR IS ONE OF

THE WORLD'S LARGEST

AND MOST EFFICIENT

PRODUCERS

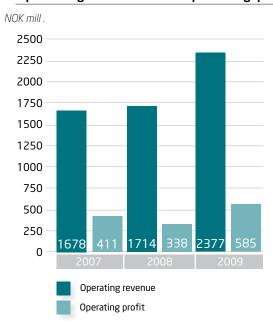
OF FARMED SALMON

- 4 THIS IS SALMAR
- 6 KEY FIGURES
- 9 CEO'S REPORT
- 10 THE ABC OF SALMON FARMING
- 14 INNOVAMAR
- 17 COMPANY PRESENTATION
- 21 THE SALMAR CULTURE
- 24 HEALTH, SAFETY AND THE ENVIRONMENT
- 26 CORPORATE GOVERNANCE
- 31 THE MANAGEMENT
- 32 SHAREHOLDER INFORMATION
  - 4 BOARD OF DIRECTORS' STATEMENT
- 45 CONSOLIDATED FINANCIAL STATEMENTS
- 79 SALMAR ASA FINANCIAL STATEMENTS
- 93 AUDITORS REPORT
- 94 STATEMENT OF RESPONSIBILITY

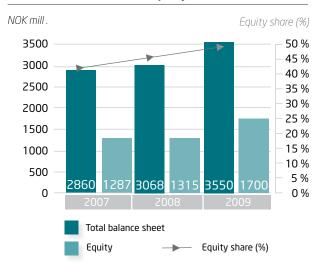
### This is SalMar SalMar is a leading Norwegian producer of farmed salmon. The company operates licenses in Central Norway and in Northern Norway. SalMar also owns 50% of Scottish Sea Farms, the UK's second largest producer of salmon, and operates a comprehensive VAP activity at the company's headquarters at Frøya in Sør-Trøndelag, Central Norway. ......SALMAR NORTHERN NORWAY SALMAR CENTRAL NORWAY .NORSKOTT HAVBRUK AS (50%) SALMAR NORTHERN NORWAY **SALMAR CENTRAL NORWAY** SalMar Farming AS SalMar Nord AS SalMar Processing AS Follasmolt AS **NORSKOTT HAVBRUK AS (50%)** Scottish Sea Farms Ltd. Geographical distribution of SalMar's 56 licenses in Norway 10 15 20 25 Counties of Trøndelag • 28 SalMar Central Norway More & Romsdal County • 15 Troms County • 13 Harvest volume 2009 by geography (1 000 tons) 10 20 30 40 50 60 SalMar Central Norway • 50 300 tons SalMar Northern Norway • 14 000 tons Scottish Sea Farms Ltd (50% share) • 13 250 tons



#### Operating revenue and operating profit



#### Balance sheet and Equity





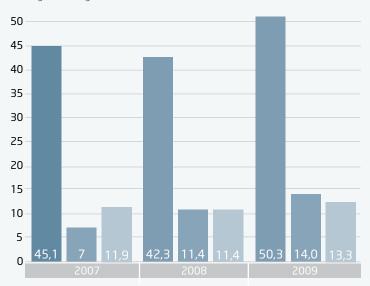
## **KEY** figures

OPERATING REVENUES AND OPERATING PROFIT	2009	2008	2007	
Operating revenues	2 377	1714	1 678	
Operating profit before fair value adjustment of biomass	585	338	411	
Operating margin	25%	20 %	24 %	
Operating profit after fair value adjustment of biomass	580	305	506	
Profit before tax	634	235	481	
Profit margin	27%	14 %	29 %	
Profit after tax	471	169	352	
Earnings per share before fair value adjustment of biom	ass 4,6	1,9	2,8	
Earnings per share after fair value adjustment of bioma:	ss 4,6	1,6	3,5	

BALANCE SHEET AND EQUITY	2009	2008	2007	
Fixed assets	1961	1 793	1 657	
Current assets	1589	1 275	1 203	
Total assets	3550	3 068	2 860	
Equity Debt	1700 1850	1 315 1 753	1 287 1 573	
Total Equity and debt	3550	3 068	2 860	
Net interest bearing debt Equity share	783,8 48%	984,4 43%	805,2 45%	

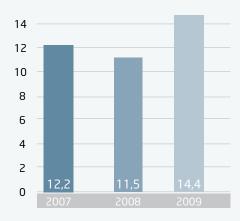
#### HARVEST VOLUME

1 000 tons – gutted weight



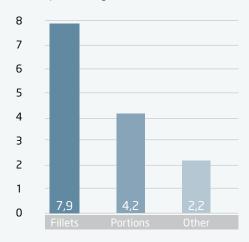
#### **VOLUME PROCESSED PRODUCTS**

1 000 tons – product weight



#### VALUE ADDED PRODUCTS 2009

1 000 tonn – product weight











### Our future

Since its inception more than 40 years ago, Norway's aquaculture sector has grown from a supplementary source of income for farmers along the coast to the industry it is today, creating many profitable jobs in many coastal communities, and generating major synergies with other industries and businesses.

The first statistics we have for farmed salmon in Norway, from 1971, show a total output of 98 tonnes, which was also the total global output – given that salmon farming started in Norway. This is the same amount that SalMar produces in 10-11 hours during the year's best growing season. Today around 1.5 million tonnes of farmed Atlantic salmon is produced globally. By comparison, global catch of wild salmon is 1.1 million tonnes.

The growth of salmon farming in Norway has been made possible by the industry's willingness and ability to improve and innovate. Fish diseases have been dealt with by means of effective vaccines, which in turn have close to eliminated the use of antibiotics. Fish feed is produced in ever more efficient and resource-friendly ways, equipment has become stronger and more effective. Operating models have been developed to enable extremely efficient marine food production, and the industry's level of competence has risen sharply. Together we have managed to establish an industry in Norway whose potential for continued growth in the years ahead is considerable.

However, there are still challenges to be resolved and some of them need to be handled better than what we are currently doing. The industry is in the spotlight from the media and society at large, particularly with respect to issues such as sustainability, the marine environment, fish escapes and sea lice.

Having grown up on the coast of central Norway I remember fishing for wild salmon with drift nets and wedge-seine nets in the mid-80s. At that time it was not unusual to see large numbers of lice on the salmon we caught. Sea lice were a part of the fauna before salmon farming was invented. For anglers sea lice were an indicator of the best salmon, which had come up the river from the sea at a fast pace. At the end of the 1980s I also remember the challenges the aquaculture industry in parts of the country then had with sea lice. But the fish farmers solved the problem by changing their operating routines and working closely with both feed suppliers and veterinarians. In the spring of 2009 levels of sea lice in the industry were the lowest for three years, and way below the level set by the Norwegian Food Safety Authority. Nevertheless, by the autumn of 2009 the level of sea lice was higher than acceptable, and fish farmers initiated a series of measures which have reduced levels significantly. Fish farmers have devoted considerable resources to resolving the lice situation, in the form of coordinated delousing programmes, increased use of wrasse, as well as allowing areas with a higher concentration of lice to lie fallow. Taken together these measures have convinced us that the level of lice in Norwegian salmon farms will, in future, remain at an acceptable level.

The aquaculture industry's ultimate goal is to cut salmon escape rates to zero, and the figures for escaped farmed salmon have been falling steadily in recent years. Fish farmers have invested heavily in better equipment, and have established classification standards for locations and how installations should be positioned

and anchored. Combined with greater expertise and better operating routines, there is reason to believe that a zero-escape goal for farmed salmon is achievable.

One question that is often asked is whether today's aquaculture industry is operating sustainably. The industry has been unfairly criticised, for example, of "emptying the seas of wild fish" in order to produce salmon feed. The aquaculture industry uses marine oils and meal to produce feed, but the raw material for this feed production comes from species that are not generally used for human consumption and species that are regulated and subject to quotas. The salmon farming industry currently accounts for around 20 per cent of the world's consumption of fish meal and around 60 per cent of the world's fish oil. The proportion of marine raw materials in fish feed has been reduced in recent years as feed producers have succeeded in developing feeds with a higher vegetable content. This trend will continue in the years to come. The aquaculture industry uses around 1.5 kg of wild fish to produce 1 kg of fish feed. Measured by protein consumption the ratio is more or less 1:1. Salmon is our most efficient livestock, giving 600 g of edible meat from 1 kg of fish. As a foodstuff it is extremely healthy – rich in Omega 3 fatty acids and completely free of antibiotics.

As food producers we can document our products' complete history – where the fish comes from, when it was harvested and processed, how much it ate, the composition of the feed, where the fish was raised, as well as its complete pedigree from roe to final product. In other words, eat salmon – it is safe, healthy and tastes great!

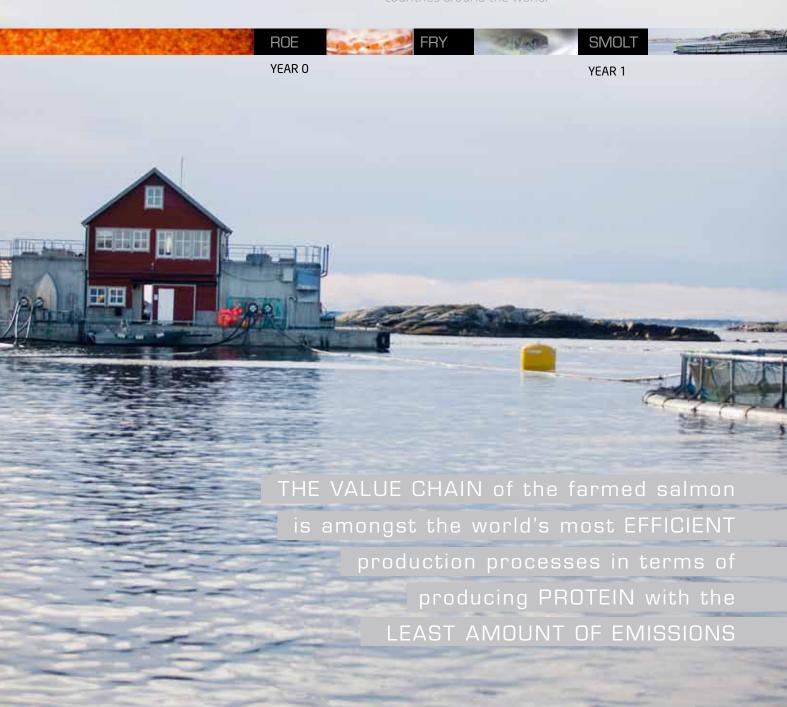
Demand for salmon is currently very strong. Last year saw demand actually outstrip supply. Norway's aquaculture industry has a considerable potential for growth. That growth must of course be accomplished in a way that is environmentally sound and sustainable. This is something we fish farmers are extremely concerned about, because we cannot succeed in any other way.

The Norwegian coastline stretches for 21,000 km. Our coastal area is as large as the area devoted to agriculture in all the Nordic countries put together. Over the next 40 years the world's population will rise from 6.3 billion to 9.3 billion. The world needs more food, wild fish catches are stagnating and agricultural land is limited. Since around 70 per cent of the world's surface is covered by ocean a larger proportion of our food production must take place in the sea.

Politicians have long talked about the aquaculture industry replacing the oil and gas industry in the future. Let us hope that there are some politicians who not only believe this, but also have the courage to follow it up through both words and deeds. The industry's future development require a willingness to establish long-term framework conditions for further growth, so that fish farmers can plan and continue to invest in this fantastic, forward-looking industry, where Norway has a major competitive advantage.

## SALMON FARMING ABC

The Norwegian salmon farming industry has developed enormously both technically and biologically since its infancy in the early 1970s. The entire value chain, from roe to fillet, is still subject to major investments in research and development in order to further improve the production of safe and healthy food. Farmed salmon from Norway is becoming an increasingly popular part of a healthy diet for people in more than 120 countries around the world.



GYILLIA SALES

YEAR 2

YEAR 3

#### BROODSTOCK

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at eight degrees Celsius.

#### **EYED SALMON EGGS**

After 25-30 days in the incubator the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.

#### **FRY**

The egg hatches when the eggshell cracks open, liberating the baby fish (fry) inside. When it hatches the fry is attached to a yolk sac, which provides it with the sustenance it needs during its first few weeks of life. From now on the fish's growth and development will all depend on temperature.

#### INITIAL FEEDING

When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at 10-14 degrees Celsius, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts for six weeks. As they grow the fry are sorted and moved to larger tanks. Well ahead of their "smoltification" all the fish are vaccinated before being shipped by wellboat to the fish farm's marine net-pens.e.

#### **SMOLTIFICATION**

The process whereby the juvenile fish transition from a life in freshwater to a sea-going existence is called smoltification. During this process the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. Their gills also change when the juvenile fish turns into a smolt.

#### **ON-GROWING**

The farming of fish for human consumption takes place in net-pens, large enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net-pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in the net-pens is affected by feeding, light and water quality. Here too the fish are sorted as they develop and grow.

#### HARVESTING & PROCESSING

A year after transfer to the marine netpens, the first fish are ready for harvesting. The fish are transported live by wellboat to the processing plant. There the fish are kept in holding pens, before being carefully transferred to the plant itself. The fish are killed and bled out using hightech equipment, and always in accordance with applicable public regulations. After harvesting the salmon is subject to various degrees of processing.

#### **SALES**

The fish is sold either as whole gutted salmon (fresh or frozen), fillets, in individual portions or a wide range of other products, which are distributed to markets around the world.



SALMON FARMING ABC

SALMON FARMING IN NORWAY - SALMON IS MADE FOR FARMING

#### SALMON IS MADE FOR FARMING

There are several reasons why Atlantic salmon are extremely well suited for farming. One of the most important factors is the fact that salmon are one of the fish species with the simplest biology, with large, robust eggs. While cod roe are just 1.2 mm in diameter, salmon roe are 5-6 mm in size.

The same goes for usable fillet size. From 1 kg of salmon it is possible to produce 600 g of skinless, boneless fillet, a ratio which is unique in food production. 1 kg of feed is required to produce 1 kg of salmon, while 3 kg is needed to produce 1 kg of pig, and a massive 8 kg to produce 1 kg of sheep or cattle. Even salmon's fiercest competitor in many markets, chicken, requires almost twice as much feed per kg to produce. The most important reason for this is that salmon are cold-blooded and therefore require very little energy to keep warm. In addition, salmon use little energy to move in the sea compared with the energy land-based livestock expend to keep themselves upright and moving around.

The history and biology of salmon are well known in Norway, since it has been a staple food source for generations, thanks to the abundant salmon stocks in coastal waters migrating to and from their spawning rivers. Atlantic salmon are native only to the northern hemisphere, and are therefore well suited to farming at our latitudes. All salmon farming south of the equator is based on imported material raised in "unnatural" surroundings.

#### A YOUNG INDUSTRY WITH MODERN EQUIPMENT

It is now almost 40 years since the first salmon were transferred to the sea for genetic farming. It happened in Hitra and Frøya in central Norway, where the bulk of SalMar's output comes from. Salmon farming is therefore still a young industry, but an industry that has already been through many major changes.

The net pens in which the salmon are raised have changed radically from the small, home-made frames that were in use 40 years ago, to the 157 m plastic rings that are now standard equipment at

SalMar. Such large net pens would have been unthinkable just a few years ago. Anchoring a modern fish farm requires around 6 km of rope, with an average diameter of 50 mm.

Another example of the industry's continuous development is the introduction of the Tele Cage system at selected SalMar sites in 2009. Tele Cage is a remote-controlled feeding system which makes it possible to feed the fish and monitor the net pens from land using CCTV equipment. For production facilities exposed to wind and weather the new system means that the salmon can be fed every day, where previously 50-60 days could be lost from the entire production cycle because staff was prevented from reaching the net pens due to bad weather. The system will be rolled out to additional SalMar sites in 2010.

Initially salmon farming was carried out on much the same principles as traditional farming, with the net pens anchored close to land and visible from their pioneer owners' front steps. However, developments in recent years have increasingly taken the industry in the direction of large floating offshore facilities where staff live and work in shifts, much like offshore oil installations. Shift work has also made it possible for a wider range of people to choose salmon farming as a career, regardless of where they live.

SalMar purchased its first floating production unit in 1998. It had a capacity of 100 tonnes of feed and was designed to take 500,000-600,000 smolt. The company's latest floating installation has a capacity of 480 tonnes of feed and is big enough to accommodate the farming of 2,600,000 salmon!





#### SUITABLE LOCATIONS ARE CRUCIAL

What constitutes a good fish farming location has also changed in 40 years. Initially it was important to have easy access to the net pens. Often they were visible from the owner's home, and some could even be reached without staff having to get their feet wet. Today the suitability of a location is determined by a completely different set of considerations. First and foremost the site must have good water quality, with movement in the entire depth of water from seabed to surface. The seabed topography must also be favourable, preferably in the form of a ridge rather than a seabed depression. A third and vital stipulation is the site's exposure to climatic conditions, such as winds, waves and sea currents.

Developments within the equipment sector have made it possible to move the fish farms further offshore, where weather conditions may be tougher but living conditions are better for the salmon. This technological development has also influenced how the aquaculture industry locates its installations along the coast. The trend towards larger and more robust salmon farming facilities has resulted in today's output being more than double what it was 10 years ago, but produced on only half the number of locations. Achieving economies of scale at the most suitable locations is a sound and desirable development for the industry as a whole.

#### SALMAR SALMON HAS ITS OWN COMPANY DOCTOR

Fish health and biological control are high priorities for all fish farmers, including SalMar. SalMar works closely with the regulatory authorities, the Aquaculture Service in Frøya and a number of other scientific and research establishments. In 2009 SalMar recruited Arnfinn Aunsmo as its first in-house veterinarian, adding to the wealth of knowledge and expertise these external bodies can offer. Aunsmo's arrival at the company means that SalMar salmon now have their own company doctor, who is an expert not only on their dietary requirements but fish health in general.

#### LARGE VOLUMES

At the close of 2009 SalMar had 56 licences for the production of farmed salmon in Norway, with 43 in central Norway and 13 in northern Norway. On the basis of these licences SalMar harvested a combined total of almost 65,000 tonnes gutted weight in 2009, which is just under 10 per cent of Norway's entire annual output. Globally, some 1,300,000 tonnes gutted weight of farmed salmon was harvested in 2009, 60 per cent of which was produced in Norway.



## InnovaMar



SalMar has been growing strongly for many years and this has necessitated the construction of a completely new production facility. Although building work got underway on 16 February 2009, it had been on the drawing board for several years. Early on in the planning process it was decided that this facility should aim to be the world's most innovative and cost-effective salmon harvesting and processing plant. Brand new ideas would be brought together with established and innovative solutions, both from the seafood sector and other manufacturing industries. The plant was named InnovaMar.

InnovaMar comprises three departments (harvesting, processing and logistics), which each in their different ways represents a significant step forward compared with today's facilities. In conjunction with equipment suppliers SalMar has devoted considerable resources to challenging existing solutions, while looking at other manufacturing industries to find solutions and technologies which can be used at InnovaMar. At the heart of this development effort are the key elements: fish welfare, working environment, food safety, and efficiency.

#### HARVESTING

The design of the harvesting facility revolves around the careful handling of the salmon. Fish welfare is vital, both out of

consideration for the fish and for the quality of the end product, which can be affected by high stress levels during the harvesting process. The distribution system for whole fish is also a key element in the harvesting facility, since it is intended to ensure good control of the raw material and minimise waste. Identification of each individual salmon which comes into the facility provides complete traceability throughout the plant. Together with the traceability SalMar has in the rest of its value chain, it will be possible to track the product's journey from hatchery to supermarket refrigerator. Increased automation gives increased capacity, and relatively large savings on salaries per kg, while the gentle handling of the salmon gives improved quality. InnovaMar will have a capacity of some 60,000 tonnes per shift per year, which is more than twice the capacity of today's production unit.

#### **PROCESSING**

The distribution system is just as key a part of the process here as it is in the harvesting plant. Together with control weighing done before each work process, the distribution system provides extremely good control of both traceability and efficiency. Quality is

#### ...START-UP IN 2010



assured through gentle transfers between work processes and specialist production lines. Efficiency is enhanced through an increased level of automation, e.g. in connection with portion packing and palleting. Furthermore, SalMar has, in cooperation with equipment suppliers, worked hard to improve the machinery's hygienic design, allowing for optimal cleaning and washing procedures.

#### LOGISTICS

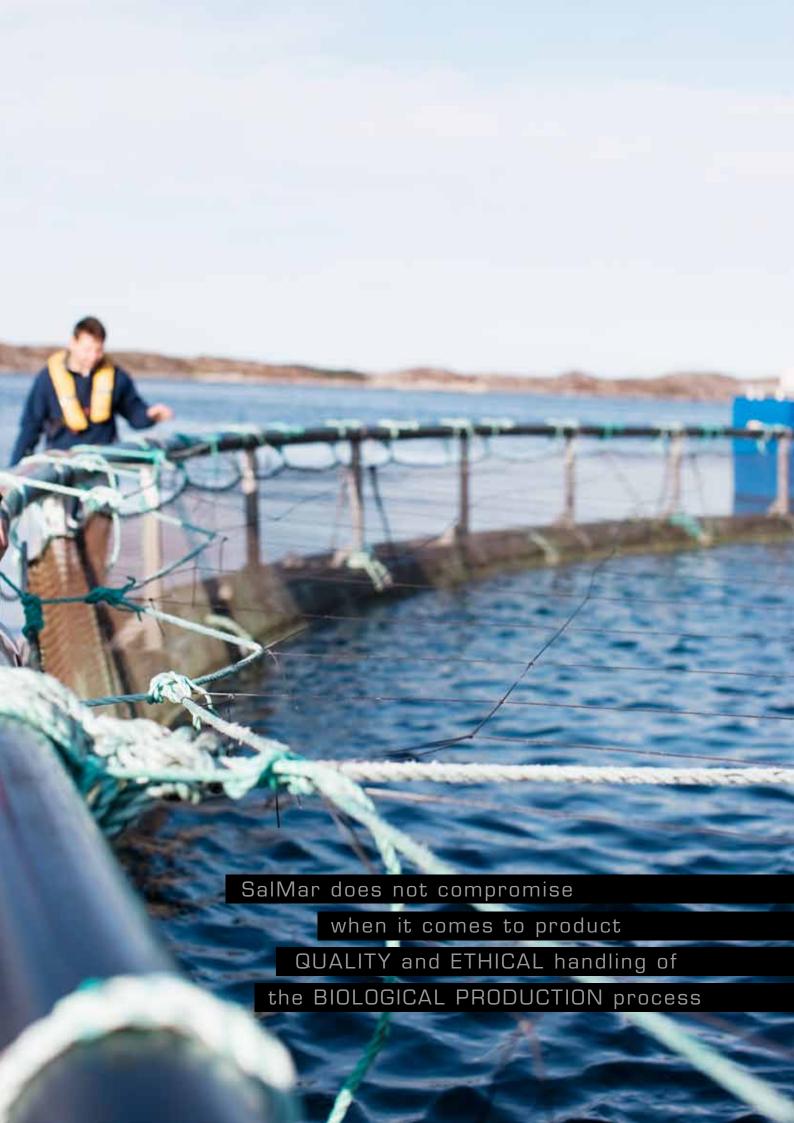
The expansion of capacity for all types of storage, improved internal logistics and the automatic restocking of packaging by suppliers are all elements which will help ensure safe and effective handling of the products. The increased capacity also affords good flexibility with respect to managing production and sales processes.

In addition to fish welfare, the working environment, efficiency and safe food, a number of other issues have been important to InnovaMar's overall design. Such factors include energy consumption, the management and use of off-cuts, reduced transport requirement through increased sales of fillets rather than whole fish. These are just some aspects of InnovaMar that SalMar is pleased to have developed beyond today's industry standards. The facility's inherent flexibility makes it well able to adapt to any future changes in production which may be needed in response to

the requirements or wishes of either customers or the regulatory authorities.

InnovaMar is scheduled to harvest its first salmon in June 2010, while the processing department is expected to go into operation in September. Upon completion SalMar will have invested around NOK 460 million in 16,000 m2 of floor space and modern equipment combined into a production process characterised by a high level of innovation and new thinking.

The InnovaMar facility will stand as a beacon in the industry for years to come.



## Company presentation

At the close of 2009 SalMar had 56 wholly owned licences for the production of farmed Atlantic salmon in Norway. Of these, 43 were located in central Norway (the counties of Møre & Romsdal, South Trøndelag and North Trøndelag), and 13 licences in Troms County. Furthermore, SalMar owns a 50 percent stake in Norskott Havbruk AS, which in turn owns Scottish Sea Farms Ltd, the UK's second largest producer of farmed salmon.

#### HISTORY

SalMar was established in Frøya, South Trøndelag, in 1991 on the basis of one fish farming licence and a harvesting and processing plant acquired from a company that had gone into liquidation.

Initially, the company's main business was the processing of frozen salmon, which at that time was in large supply following the liquidation of Fiskeoppdretternes Salgslag (the Norwegian salmon farmers' sales cooperative) in 1991. This also marked the beginning of wide-ranging restructuring within the Norwegian salmon farming industry, which over time led to increased industrialisation.

In 1992 the company acquired a further two salmon farming licences. In 1995, following the acquisition of Follasmolt in Verran, North Trøndelag, SalMar entered the hatchery and smolt production sector. At the same time, a leasing agreement was entered into with Kjørsvik Settefisk, a hatchery in Aure, Møre & Romsdal.

Additional operating licences in Central Norway were purchased during the 1990s, and by the end of 1996 SalMar had nine wholly owned licences.

To increase its processing capacity SalMar expanded the plant at Nordskaget, Frøya, in 1997 in collaboration with the Industrial Development Corporation of Norway (SIVA). Kverva Holding became sole owner of SalMar that same year. By the late 1990s the company had 20 wholly owned licences, with a total harvested volume of 11,400 tonnes gutted weight and a total processed volume of 3,000 tonnes.

In 2000 SalMar established its first fish-farming operation outside central Norway, with the acquisition of a 49 per cent stake in Senja Sjøfarm AS in Troms. At that point Senja Sjøfarm AS had nine operating licences and its own hatchery.

SalMar went abroad the following year, when it established Norskott Havbruk AS in partnership with Lerøy Seafood Group. Norskott Havbruk AS is the sole owner of Scottish Sea Farms Ltd, the UK's second largest producer of farmed salmon. SalMar owns 50 per cent of the shares in Norskott Havbruk AS, while Lerøy Seafood Group owns the remaining 50 per cent.

In 2005 SalMar divested those parts of its operations which were not considered to be core businesses, including the production of herring, herring oil and herring meal. The objective was to concentrate the company's focus and efforts on its core business: the

farming, harvesting and processing of salmon.

In 2006 Kverva Holding AS sold 42.5 per cent of the company's shares to a limited number of Norwegian and international investors. The realisation of the company's plans to build new industrial facilities in Frøya and its ambitions to participate in the industry's ongoing restructuring process depended on access to sufficient capital. The board of directors therefore decided to float the company on the Oslo Stock Exchange. On 8 May 2007 the company was listed on the Oslo Stock Exchange.

In June 2006 the company acquired three new salmon production licences in the Nordmøre district, very close to SalMar's existing production facilities. Towards the end of the year SalMar acquired the remaining 51 per cent of the shares in Senja Sjøfarm to become the company's sole owner.

In 2007 SalMar acquired Halsa Fiskeoppdrett AS (two licences) and Henden Fiskeoppdrett AS (two licences) in Møre & Romsdal, as well as Arctic Salmon AS (four licences) in Nordreisa, Troms.

During 2008 SalMar acquired a further licence in central Norway (Møre & Romsdal) and one in northern Norway (Troms). Senja Sjøfarm AS changed its name to SalMar Nord AS, and now encompasses all SalMar's business activities in Troms.

For several years SalMar has been planning the construction of what it intends will be the world's most innovative and cost-effective harvesting and processing plant for salmon. Located at Frøya, the facility has been named InnovaMar. Construction got underway on 16 February 2009. The first salmon are due to be harvested at InnovaMar in June 2010, while secondary processing is expected to begin in September. For further details, please see the annual report's chapter on InnovaMar.

During the summer of 2009 SalMar was granted three organic salmon farming licences by the authorities, bringing the Group's total number of fully



owned licences in central Norway to 43. The first organic salmon are expected to be ready for market during the autumn of 2010. SalMar also entered into alliances with three of the other companies which were granted salmon farming licences in central Norway. The partnerships involve joint operation of sites, as well as the harvesting of salmon at SalMar's harvesting and processing facilities in Frøya. Agreement was also reached in 2009 with the Sintef research institute and the Norwegian University of Science and Technology (NTNU) – through the company ACE – in connection with the operation of three licences which, in addition to commercial salmon farming, will be used for large-scale research projects.

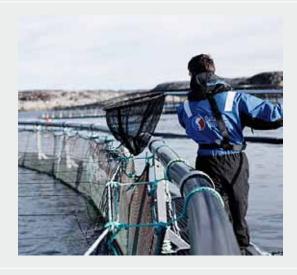
With effect from 1 January 2010 the Fisheries Directorate has withdrawn one of the licences that SalMar Nord AS has made use of in Troms. The licence concerned was a broodstock licence which legally belonged to the Norwegian Seafood Federation (FHL), but has been operated by SalMar Nord AS as a backup to Aqua Gen's ordinary broodstock production. In 2008 the Fisheries Directorate issued a warning that all broodstock licences in Norway would be withdrawn. Despite the fact that SalMar Nord AS had a plan for future operations together with Aqua Gen which SalMar felt did comply with applicable regulations the licence was withdrawn. As a result SalMar Nord AS will, at the start of 2010, operate 13 licences in Troms.

#### BUSINESS IDEA, OBJECTIVES AND STRATEGY

SalMar's vision is to be the most cost-effective supplier of salmon and salmon products while maintaining high standards with respect to biology, ethical production and quality. With international competition increasing all the time, low production costs are a vital competitive parameter to achieve good margins and a good return on equity.

SalMar is uncompromising with respect to quality and meeting the ethical standards associated with biological production. The company wishes to continue to invest in biological development to enable further industrialisation. SalMar also aims to increase the level of salmon processing undertaken in Frøya so that a larger proportion of the value added is retained within the company. Increased local processing will also have environmental benefits through a reduction in exports of whole fish, the head and bones of which are largely discarded by the consumer.

This increased industrialisation and in-house processing will be realised through, among other things, the completion of the InnovaMar project in Frøya. InnovaMar is intended to be the world's most innova-





tive and cost-effective salmon harvesting and processing plant. Construction of the InnovaMar facility started during the first quarter of 2009. When it is completed in the second half of 2010, the facility will allow SalMar to substantially increase the proportion of its total output which is sold as fillets rather than whole gutted salmon.

Moving forward it will also be an important objective for SalMar to create and develop secure, challenging and profitable workplaces. The further development of SalMar's company culture and the SalMar Standards will be achieved through further development of the SalMar School.

#### FRY AND SMOLT - HATCHERY PRODUCTION:

As a leading international producer of farmed salmon, having access to adequate supplies of high quality smolt is crucial to SalMar. It is therefore of strategic importance to the company to be as far as possible self-sufficient with smolt.

SalMar produces fry and smolt at six separate facilities in Møre & Romsdal, South Trøndelag, North Trøndelag and Troms. In 2009 the company produced approx. 12 million smolt.

In central Norway SalMar has five hatcheries located at Follafoss in Verran, Kjørsvikbugen in Aure, Setran in Osen, Straumsnes in Tingvold and Langstein in Stjørdal. SalMar owns 60 per cent of the Langstein facility. In Troms smolt are produced at SalMar's Gjørvika facility. Almost all of SalMar's smolt production is used to supply its own fish farms. The company also buys some smolt from external suppliers. As a result SalMar is adequately supplied with smolt.

SalMar's hatcheries have access to freshwater resources which will allow continued growth in output. This is particularly true of the largest hatcheries at Follafoss and Kjørsvikbugen. In the past year SalMar has also invested in recycling technology which permits a higher production of smolt with less consumption of fresh water.

SalMar's hatcheries are largely built up around alternative energy resources. The Follafoss facility uses the waste water from a nearby wood processing plant to heat the water used in production by means of a heat exchanger, while the cooling water from Statoil's

methanol plant at Tjeldbergodden is correspondingly used by the Kjørsvikbugen hatchery. These measures result in reduced energy costs. The Follafoss facility is investing in a heat pump and recycling technology as a backup for the wood processing plant's waste water. Both at Follafoss and Langstein the water utilised for smolt production has previously been used for power generation.

High quality smolt is a fundamental precondition for the safe and effective production of farmed salmon. By establishing its own standards and associated action plans SalMar has sought to focus on smolt quality.

To make effective use of the production potential of SalMar's fish farms it is important that the transfer of smolt to the sea is spread over the whole year. Achieving non-seasonal smolt production has therefore been an important objective for SalMar's hatcheries.

To keep pace with the Group's growth rate an investment programme was initiated in 2009 which will make SalMar self-sufficient in smolt of the desired quality within a few years. While investments are associated partly with the necessary increase in output, they also relate in good measure to environmental improvements, such as waste-water treatment and, not least, to measures to prevent fish escaping from the hatcheries. SalMar has a zero-tolerance policy with respect to escape from its hatcheries.

#### FISH FARMING CENTRAL NORWAY

The bulk of SalMar's marine-phase fish farming activity is organised in SalMar Farming AS, and takes place in central Norway, from Nordmøre to the Namdal coast. This region offers extremely favourable environmental conditions for the production of salmon, with good temperatures all year round thanks to the Gulf Stream, good circulation of seawater and good access to appropriate sites.

SalMar's fish farms focus on cost-effective operations and a high ethical standard with respect to animal husbandry. To help SalMar achieve its goal of being the most cost-effective producer of salmon, there is a constant focus on sub-goals, such as fastest possible growth with the lowest possible feed factor. Early on the company established its own standards and "best practices" to achieve greater efficiency. This means the concentration of marine production at larger facilities with the right capacity and sustainability.

SalMar Central Norway harvested 50,100 tonnes gutted weight of salmon in 2009, divided between 43 owned licences and seven allied licences. Nine of the licences were operational for only part of the year (three organic salmon licences, three licences associated with joint operating agreements and three licences associated with the R&D agreement with ACE). 15 of the 43 owned licences are located in the Møre district and 28 in Trøndelag. Fish farming facilities are located in Averøy, Halsa, Tustna, Aure, Smøla, Hitra, Frøya, Åfjord, Roan, Flatanger and Namsos.

#### FISH FARMING NORTHERN NORWAY

At the close of 2009 SalMar's wholly owned subsidiary SalMar Nord AS (previously known as Senja Sjøfarm AS) had 13 operating licences in Troms County. SalMar Nord's licences and hatchery are located in Nordreisa, Tranøy, Dyrøy, Berg and Lenvik. SalMar Nord harvested a total of 13,900 tonnes gutted weight in 2009.

During 2009 the company implemented several measures intended to improve operating routines, feeding and feeding regimes, and its organisation which have already had a measurable impact on the biological result. In the same way as the company's operations in central Norway, SalMar's activities in northern Norway are characterised by a concentration in larger units compared with many of its competitors. To further rationalise production, several of the facilities in Troms installed larger net-pens during the year. The company has also increased its smolt transfers, which is expected to result in an increase in salmon output and harvested volume in 2010.

During the year an extensive development process (The SalMar School) aimed at both management and staff, was implemented.

#### SCOTTISH SEA FARMS LTD

SalMar owns 50 per cent of Norskott Havbruk AS, which in turn owns 100 per cent of Scottish Sea Farms. The remaining 50 per cent of Norskott Havbruk AS is owned by Lerøy Seafood Group ASA. Scottish Sea Farms is the UK's second largest producer of farmed salmon. While the company's main production is located on the Scottish mainland, it also operates from locations in Shetland and the Orkneys.

The company's activities include smolt production, as well as the farming, harvesting and processing of salmon.

In recent years the company has developed several exciting market concepts, including the production of own-label salmon products for the international retail chain Marks & Spencer.

Scottish Sea Farms harvested 26,500 tonnes gutted weight in 2009.

#### HARVESTING, PACKING AND PROCESSING (VAP)

SalMar's focus on and investments in its own processing business are closely linked to its fish farming operations, and have played a key part in SalMar's strategic development from the very start. By bringing large harvesting volumes to a plant has enabled SalMar to achieve economies of scale, as well as providing flexibility and a better utilisation of the entire fish. The completion of the InnovaMar project in the second half of 2010 will allow a much higher proportion of SalMar's total output to be utilised effectively and sold as fillets rather than whole gutted fish.

In 2009 SalMar harvested a total of 60,000 tonnes gutted weight at its facility in Frøya. In addition to salmon raised at its own facilities, this figure includes contract harvesting on behalf of external fish farmers. The plant also produced 14,500 tonnes of process products, mainly fillets and portions. New products were also developed during the year, with various seasonings and packing methods to make them easier for the consumer to prepare.

#### SALE AND DISTRIBUTION

SalMar supplies a wide variety of fresh and frozen salmon products. Its customer base is global, ranging from large and small import/export companies to major processing companies and retail chains. For many years SalMar has chosen to sell its products through a handful of Norwegian salmon exporters, with whom it works closely. But as volumes have increased SalMar has also established direct sales of whole salmon to markets such as Russia and Asia. Furthermore, SalMar exports a substantial volume of processed products to Japan through its wholly owned subsidiary SalMar lapan KK.

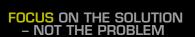
In 2009 SalMar acquired the remaining 66 per cent of the shares in Volstad Seafood AS to become its sole owner. Volstad Seafood AS is engaged in the sale/trading of, principally, salmon and white fish from Norway, with the main focus on markets in Asia and the USA. SalMar and Volstad Seafood have been working together for many years in connection with exports of salmon to parts of Asia. SalMar's acquisition of Volstad Seafood AS has further enhanced its capacity and competence in the field of sales - and the distribution of Atlantic salmon, particularly to Asian markets.

Proximity to markets and customers, either directly or through partners, is important to ensure the best possible utilisation of a high-quality raw material which has undergone an efficient, traceable and controlled production process. SalMar will therefore intensify its focus on sales and distribution in the years ahead.

## The SalMar Culture

SalMar's company culture is constantly under development, and is built on success factors which have gradually evolved within the company from its inception in 1991 and up to today. Although SalMar's company culture is affected by both external and internal -conditions, there are some overarching -factors which will always be the -foundation of our shared culture. Of -particular importance are a -focus on -biological assets, operational -efficiency and safe food production.





WE SHALL BE THE LOWEST-COST PRODUCER FROM ROE TO FINISHED PRODUCT

THE JOB IS NOT DONE UNTIL THE PERSON YOU ARE DOING IT FOR IS SATISFIED













THE JOB WE DO TODAY IS VITAL TO SALMAR'S SUCCESS

WHAT WE DO TODAY WE DO BETTER THAN WE DID YESTERDAY

**WE CARE** 







SalMar's output takes a long time to produce. For an individual salmon it is a process that continues 24 hours a day, seven days a week for three years. In a biological production process yesterday's actions are carried over into the next phase. A frivolous attitude to how biological assets are treated can have serious consequences, both in the short and long term. To be a leader in the aquaculture industry it is therefore crucial to have a shared culture and shared values.

Underpinning all SalMar's business activities and strategic actions is its vision: to be the lowest cost producer and supplier of farmed salmon to the European market, in the sense of being the most costeffective. To realise this vision the entire organisation must do what it takes to succeed. SalMar standards have been developed for all group business units and departments. Their purpose is to form the basis for the development of our company culture and to raise awareness throughout the production process. The SalMar standards describe important focus areas for managers and employees, and are meant to be easily understood and practised by everyone in SalMar, regardless of their role in the company.

To further reinforce the company's vision and overall objectives, a number of slogans have been drawn up, which describe the behaviours and actions expected of all employees. It is, after all, the employees who together make up the SalMar culture, and who keep it moving forward.

What we do today we do better than we did yesterday, clearly expresses our determination that our processes must be continuously developed and improved if the company is to be a market leader. While the slogan also describes our ability to conquer our own limitations, encouraging us to constantly search for improvements and maintain a fanatical eye for detail, it also fosters our capacity to rejoice in the success of others.

The job is not done until the person you are doing it for is satisfied, is intended to increase our understanding of the fact that everyone is knowledgeable about and takes responsibility

for the entire three year production process. Salmon production is a collaborative effort, in which we must – both internally and externally – always live up to the quality standards and expectations of the person for whom we are doing a task.

Focus on the solution – not the problem expresses the idea that it is up to each and every one of us to suggest possible solutions to any problems which may arise, rather than spreading despondency and passivity by focusing on the obstacles. Everyone has a personal responsibility to identify and implement solutions, rather than waiting for someone else to tell them what to do.

The job we do today is vital to SalMar's success, is intended to create an understanding of the fact that today is what matters, and that it is down to each of us, regardless of where in the production chain we are. Through measures like the SalMar School all employees are informed about SalMar's vision, objectives, values and cultural slogans, which are the basis for understanding that all parts of the production chain are equally important.

We care expresses the importance of developing good attitudes, respect and care for the salmon we raise, our workforce, customers, partners and society at large. Standards with respect to the ethical management of biological assets are steadily being raised. That we care affects not only our biological and financial performance, but also the way we are regarded by the community around us.

We shall be the lowestcost producer from roe to finished product is about creating an understanding of and pride in the aim of always being the most cost-effective producer of farmed salmon. This means that we dare to be different, and welcome the challenges our vision and goals present to us.



### Health, safety and the environment



SalMar has a presence in many local communities and districts. The Group's corporate social responsibility therefore has many facets: as an employer, a production company, a producer of healthy food, a user of the natural environment, and as custodian of financial and intellectual capital. By showing that "we care" SalMar contributes to increased awareness of these issues, both internally and externally in those locations in which the company operates.

#### CODE OF CONDUCT

Maintaining a high ethical standard in all aspects of the business is an immutable principle and the very foundation of SalMar's HSE strategy. For this reason SalMar has drawn up a code of conduct whose purpose is to contribute towards a healthy corporate culture and uphold the company's integrity by helping employees maintain high standards of business practice. Employees shall seek to act fairly, honestly and with personal integrity in their dealings with other employees, business associates, customers, shareholders, regulatory authorities and members of the general public. Employees are made aware of the code of conduct through information meetings and HSE instructions. The code of conduct is also available from the company's website. Specific procedures have been drawn up to enable employees to bring to the company's attention any matters which they feel are a cause for concern. These procedures also allow employees to notify the company of their concerns anonymously through an external channel.

#### HSE IS A FOCUS AREA

During 2009 SalMar prepared an environmental report covering the entire Group. The report deals with HSE and food safety, and places great emphasis on the issue of sustainability. With respect to sustainability SalMar has worked closely with external agencies through certifications (GlobalGap), studies (Carbon Disclosure Project, Sustainable Value Creation) as well as monitoring and training activities (TrygVesta). Sustainability is a term which covers a wide area. In addition to health, safety and environmental issues, human and labour rights are important areas, as are responsible business practice and efforts to combat corruption.

#### - HSF 2009

Various facets of the Group's overall business activities involve one or more aspects of HSE:

- Production and processing of high-quality seafood based on raw materials from clean seas.
- Focus on food safety at all stages of the production process.
- Contribution to the economic and social development of local communities.
- Unfailing compliance with the legislation and regulations that have been adopted by the authorities in the countries in which SalMar operate, as well as any additional standards set by customers or business associates.
- Care for the environment throughout the production chain.

As a consequence of these and other circumstances, SalMar has drawn up a set of overarching objectives, with associated activities and action plans. The objectives relate both to specific HSE issues and sustainability as a whole. Some objectives are common to all group operations, and from these each division creates its own sub-goals. Annual action plans are drawn up and critical areas relating to HSE are reported systematically and are evaluated by the Group's board and management. In 2009 SalMar achieved many of its objectives with regard to the external environment, working environment and personal safety. New, ambitious targets have been set for 2010, and efforts to achieve them follow the Group's environment management plan.

#### RISK ASSESSMENT AND ENVIRONMENT MANAGEMENT

A thorough review of the Group's risk assessment activities was carried out in 2009. All levels in the organisation were involved in the process, and all divisions have improved their approach to risk management. Risk assessments are carried out in accordance with the Norwegian standard NS 5814, and result, without exception, in the creation of contingency and action plans, which are reviewed on a regular basis.

At SalMar, environment management involves reducing the company's impact on the external environment through a continuous focus on environmental issues at all stages in production. Management personnel have a defined environmental responsibility in their job descriptions, and HSE instructions have been drawn up for all employees.

All non-compliances are reported, dealt with and evaluated on an ongoing basis. In the past year a new system was implemented which allows non-compliances to be recorded electronically. This simplifies the reporting and evaluation process considerably. In addition to line management's day-to-day follow up, the company's environmental performance is reviewed systematically by group management, while SalMar ASA's board of directors receives biannual reports. All new employees receive HSE training at induction courses, workplace seminars and the SalMar School. Environmental accounts for all areas of the business are drawn up quarterly, and are included in the annual group environment report.

In the same way as for other aspects of the Group's operations, a SalMar standard has been drawn up for health, safety and environment-protection. In addition to all the external checks the Group is subject to (regulatory authorities, certification agencies and other external partners), internal inspections/audits will also give the business areas regular feedback about their level of compliance with the SalMar standard. Employees at all levels have participated in the definition of the SalMar standard, and inspection results are published through in-house forums.

Continuous improvement and development are important goals for SalMar's HSE activities. To achieve effective and long-lasting improvement it is necessary to involve employees at all levels while ensuring that managers are committed to realising the goals that have been set. This requires a continuous cycle of planning, implementation, verification and evaluation.

#### DISCRIMINATION

The Group fully endorses the Anti-Discrimination Act, whose purpose is to promote equality, safeguard equal opportunities and rights, and prevent discrimination on the grounds of ethnicity, national origin, descent, skin colour, language, religion or moral philosophy. Within its business operations the Group is working actively to foster an environment in compliance with the spirit of the Act. The Group aims to be a workplace that does not discriminate on the grounds of reduced functional capability. The Group is working actively and systematically to design and adjust the physical conditions at its sites to make them as accessible as possible. For employees or job seekers with reduced functional capabilities, the workplace and the job content are tailored to the individual concerned.

#### ABSENCE DUE TO SICKNESS

The short-term sickness absence rate in 2009 was 2.92 per cent, compared with 2.87 per cent in 2008. The long-term sickness absence rate in 2009 was 3.98 per cent, compared with 3.90 per cent the year before. Sickness absence is considered relatively low in relation to other comparable businesses. Systematic efforts are being made to implement preventative measures and adapt employees' working conditions to their individual needs. A total of 38 job-related injuries were reported during the year, the same number as the year before. Important measures to reduce the number of injuries in 2010 will be an increased level of activity on the part of SalMar's health and safety organisation, and the involvement of all employees in the systematic HSE effort.





Compliance with code of practice shall be in accordance with the "comply or explain" principle. This means that listed companies must comply with the code of practice or, explain why the company has chosen a different solution. This account explains how SalMar in 2009 have complied with the code of practice that has been in effect at any given time. It also gives some indications on how SalMar in 2010 will comply with the code of practice published on 21 October 2009.

#### CORPORATE GOVERNANCE

SalMar's board of directors has determined that the company shall comply with the Norwegian Code of Practice for Corporate Governance. SalMar has been listed on the Oslo Stock Exchange since May 2007, since when it has worked steadily to comply with the code's stipulations.

SalMar has always operated its business in line with core values which have been communicated to the organisation, partly through the employees' participation in the SalMar School, which was set up in 2002 and has been further developed each year since then. These values are based, among other things, on such principles as equality, quality, care for the environment, focus on work tasks and continuous improvement. For further details, please see the chapter on SalMar's corporate culture in the annual report.

SalMar has also drawn up a code of conduct, whose purpose is to safeguard and develop the company's values, create a healthy corporate culture and uphold the company's integrity. The code of conduct is also meant to be a tool for self-assessment and for the further development of the company's identity. All employees of the company are bound to comply with the ethical guidelines laid down in the code of conduct, which is available from the company's website.

#### THE BUSINESS

SalMar ASA's objectives are defined in its articles of association (Article 2, see also the company's website): The objective of the company is sea farming, processing and trading of all types of fish and seafood, and other financial activities in relation to this. The company may, in accordance with directives from the relevant authorities, conduct general investment activities, including participation in other companies with similar or related objectives. Targets and strategies are drawn up for each business unit. Within the framework of the above article, SalMar is currently engaged in hatchery production, marine-phase farming, harvesting, processing and sale of farmed salmon and white fish. The company's objectives and main strategies are further discussed in the annual report in the chapters "Message from the CEO" and "Company Presentation".

#### **EQUITY AND DIVIDEND**

As at 31 December 2009 the company had net assets of NOK 1,700 million, which corresponds to an equity ratio of approx. 48 per cent. The board considers SalMar's equity to be adequate in relation to the company's objectives, strategy and risk profile.

SalMar intends to provide shareholders with a competitive return on invested capital, taking into consideration the company's risk profile. Returns will be achieved through a combination of positive share price development and the payment of a dividend. The company plans to pay out surplus liquidity (funds not necessary for the company's day-to-day operation) in the form of a dividend or by means of a capital reduction with distribution to the shareholders. The company will at all times consider whether the available liquidity should be used for new investments or the repayment of debt instead of being paid out as dividend.

The board of directors is proposing a dividend for 2009 of NOK 2.20 per share, or NOK 226.6 million in total.

#### **BOARD AUTHORISATION**

The Annual General Meeting of 28 May 2009 authorised the board to increase the company's share capital by up to NOK 7.5 million, though the issue of no more than 30 million shares, each with a face value of NOK 0.25. The authorisation is valid until the 2010 AGM. The authorisation may also be used to finance investments and the acquisition of businesses through cash issues and contributions in kind. Moreover, the authorisation may be used in connection with the share option scheme for key employees. Given the purpose of the authorisation, the board of directors may need to set aside the preference rights of existing shareholders. Such a move is allowable under the terms of the authorisation.

In line with the Code of Practice for Corporate Governance of 21 October 2009 the company will, with effect from the 2010 AGM issue authorisations for capital increases on a case-by-case basis rather than issuing a general authorisation covering several situations in which it may be appropriate to raise new equity.

The AGM of 28 May 2009 also authorised the board of directors to acquire the company's own (treasury) shares with a face value of up to NOK 2,425,000, which corresponds to 9.4 per cent of share capital. The price of shares acquired could range from not less than NOK 1 to not more than NOK 100. The authorisation was exercised 21 August 2009 to acquire 800,000 shares at a face value of NOK 200,000 and a price per share of NOK 44. The authorisation is therefore still valid for the buyback of shares with a face value of up to NOK 2,225,000, corresponding to around 8.6 per cent of the company's share capital. The authorisation remains valid until the 2010 AGM.

SalMar ASA aims to maintain a high standard of corporate governance. Good corporate governance strengthens public confidence in the company and contributes to long-term value creation by regulating the reciprocal roles and responsibilities of shareholders, the board of directors and the company's management, over and above that which is stipulated in legislation and other statutory instruments. The Oslo Stock Exchange requires that listed companies provide a consolidated account of their corporate governance in accordance with the code of practice drawn up by the Norwegian Corporate Governance Board (NUES). A new version of the code of practice was published on 21 October 2009, replacing the previous version of 4 December 2007. The code of practice can be found at www.nues.no.

### NON-DISCRIMINATION OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

SalMar's registered share capital totals NOK 25,750,000, divided between 103,000,000 shares. Each share has a face value of NOK 0.25. SalMar has only one class of shares and all shares have equal rights. Each share carries one vote.

On 21 August 2009 the company purchased 800,000 treasury shares. The transaction was carried out on the stock exchange at a price of NOK 44 per share. As at 31 December 2009 SalMar ASA owned 1,400,000 treasury shares.

In the event of material transactions with closely related parties, the company shall make use of valuations provided by an independent third party.

The construction of a new harvesting and secondary processing plant in Frøya – InnovaMar – has involved transactions with closely related parties. Independent reports were drawn up ahead of the AGM of 28 May 2009. SalMar Processing AS, a wholly owned subsidiary of SalMar ASA, has carried out project development work, including a feasibility study, project facilitation and the entering into of contracts associated with the construction of the InnovaMar plant. Based on the scope of the project SalMar Processing AS has found it appropriate to involve several investors and is therefore transferring the construction project to Nordskag Næringspark AS, of which SalMar ASA will be a shareholder along with Kverva AS and Abra Norge AS. As a result of this reorganisation agreements have been entered into between SalMar Group companies and Nordskag Næringspark AS.

Due to Kverva AS's shareholdings in both Nordskag Næringspark AS and SalMar ASA, Nordskag Næringspark AS is considered to be a closely related party to Kverva AS. Independent reports have therefore been drawn up with respect to liabilities SalMar ASA has assumed in connection with the acquisition of 42.5 per cent of the shares in Nordskag Næringspark AS and as a consequence of a guarantee which has been issued for lease payments SalMar Processing AS, as lessee, will make to Nordskag Næringspark AS after completion of the building. These reports were enclosed with the invitation to shareholders to attend the AGM.

The board of directors asked the AGM to approve the shareholders' agreement associated with SalMar ASA's acquisition of 42.5 per cent of the shares in Nordskag Næringspark AS as well as the guarantee SalMar ASA has issued, on behalf of

SalMar Processing AS, for the leasing agreement covering the building. These agreements and the guarantee were unanimously approved by the AGM.

SalMar's code of conduct lays out what is required of employees with respect to loyalty, conflict of interest, confidentiality and guidelines for trading in the company's shares. The code of conduct

states that all employees must notify the board if they, directly or indirectly, have a material interest in any agreement entered into by the company.

The regulations governing the board's working practices provide guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality, and inform the board of any possible conflict of interest.

#### FREE TRANSFERABILITY

The company's shares are freely transferable on the Oslo Stock Exchange and its articles of association do not contain any restrictions on the shares' transferability.

#### GENERAL MEETING OF SHAREHOLDERS

The company's highest decision-making body is the General Meeting of Shareholders. In accordance with the company's articles of association the Annual General Meeting must be held by the end of June each year.

An invitation to attend, as well as all agenda papers, are published on the company's website no later than 21 days prior to the date of the AGM. All shareholders whose address is known to the Norwegian Central Securities Depository (VPS) will be sent the documents by post no later than 21 days prior to the date of the AGM.

Shareholders are entitled to make proposals and cast their votes either in person or through a proxy, including a proxy appointed by the company. The proxy form also enables shareholders to grant a proxy vote for each individual agenda item. The board of directors, Nomination Committee and the company's auditor will be represented at the AGM.

The Board Chair will normally chair the AGM. In the event of any disagreement on individual agenda items where the Board Chair belongs to one of the factions, or for some other reason is not deemed to be impartial, a different person will be selected to chair the meeting in order to ensure independence with respect to the matters concerned.

Shareholders must notify the company of their intention to attend the AGM no later than five working days before the AGM takes place. In all matters relating to the preparation of, invitation to and staging of the company's AGM the company complies with the

Norwegian Code of Practice for Corporate Governance. The AGM for 2010 will take place on 2 June in Frøya.

#### NOMINATION COMMITTEE

The company's articles of association stipulate that the Nomination Committee shall comprise a total of three people, who shall be shareholders or shareholders' representatives. The members of the Nomination Committee, including the committee's chair, are elected by the Annual General Meeting. In 2008 the AGM elected Gustav Witzøe (2 years), Endre Kolbjørnsen (2 years) and Therese B Karlsen (1 year) as SalMar's Nomination Committee. In 2009 Therese B Karlsen was re-elected (2 years). Although Gustav Witzøe is a member of the company's administration, the company wishes to benefit from his knowledge and network of contacts in connection with the Nomination Committee's efforts.

The Nomination Committee recommends candidates for election to the board of directors and directors' fees. The committee's recommendations are based not only on an assessment of each individual candidate but on an evaluation of the board as a group. Although deviating from the Norwegian Code of Practice for Corporate Governance, the Nomination Committee will ask the AGM to vote on its recommendation as a collective and not on each candidate separately. The remuneration payable to members of the Nomination Committee is determined by the AGM. A set of regulations governing the work of the Nomination Committee was adopted at the board meeting of 21 March 2007.

#### CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The company does not have a Corporate Assembly. The articles of association stipulate that the board of directors shall comprise three to seven members, to be elected by the Annual General Meeting. The Board Chair is elected by the AGM. The company's current board is made up of six members, including one employee representative. Two of the company's directors are women.

The regulations governing the work of the Nomination Committee state that emphasis shall be placed on ensuring that members of the board have the necessary competence to carry out an independent assessment of the matters presented to it by management and of the company's business activities. Emphasis shall also be placed on ensuring that there is a reasonable gender balance and that directors are independent with respect to the company. The Nomination Committee's recommendation shall meet the requirements relating to board composition stipulated by applicable legislation and the regulations of the Oslo Stock Exchange. Board members are elected for a term of two years.

The composition of the board meets the Code of Practice for Corporate Governance's stipulations with respect to ndependence, with one exception. Gustav Witzøe is both a senior executive and a member of the board of SalMar ASA. In the opinion of the board it is in the company's interests to avail itself of Gustav Witzøe's extensive experience and considerable expertise, both as s senior executive and as a director. Deviation from the code of practice on this point has therefore been deemed acceptable. In 2009 the board has not had a deputy chair. In matters of material importance in which the Board Chair is, or has been, actively engaged, another director has been appointed to chair the board's deliberations.

The board has overall responsibility for the management of the Group and the supervision of its day-to-day management and business activities. The work of the board is governed by a set of regulations which describe the board's responsibilities, tasks and administrative procedures. Furthermore, the board determines the Group's overall objectives and strategy, including the overall composition of the Group's portfolio and the business strategies of the individual business unit. Strategy is normally discussed during the autumn, ahead of the Group's budget process. Within the area of strategy, the board shall play an active role in setting management's course, particularly with regard to organisational restructuring and/or operational changes.

The board shall approve the Group's plans and budgets, and may, if desired, draw up more detailed guidelines for its operations. The board shall, no later than December, approve the Group's budgets for the coming year. Proposals relating to targets, strategies and budgets are drawn up and presented by management.

The board makes an annual assessment of its own work and competence. An evaluation of this kind was conducted in December 2009. The board meets as often as necessary to perform its duties. In 2009 the board held six meetings. The attendance rate at board meetings was 94.4 per cent.

The company evaluates the use of board sub-committees on a regular basis, but as at 31 December 2009 had not established any such bodies. In line with the Norwegian Code of Practice for Corporate Governance an Audit Committee will be set up in 2010.

### RISK MANAGEMENT AND INTERNAL CONTROL

The board ensures that the company's internal control systems are adequate in relation to the regulations governing the business. The company's systems and procedures for risk management and internal control are intended to ensure efficient operations, timely and correct financial reporting, as well as compliance with the legislation and regulations to which the company is subject.

The follow-up of internal controls relating to financial reporting is undertaken by means of management's day-to-day monitoring, the process owners' monitoring and the auditor's independent testing. Deviations and improvement opportunities are followed up and corrective measures implemented. Financial risk is managed by a central unit at head office, and, where appropriate, consideration is given to the use of financial hedging instruments. The auditor has confirmed that the company's internal controls relating to financial reporting are adequate. The identification and management of biological risk, fish health, HSE and general hygiene are central group management tasks. It is the CEO's responsibility to ensure that the com-

pany complies with all relevant legislation and guidelines governing the operation of its divisions. This includes the procurement, operation and maintenance of fish farming equipment, as well as management of the company's biomass. Follow-up and control of the extent to which the company's values and code of conduct are complied with is carried out by the line organisation and is part of day-to-day operations. Material risks and any changes in them are discussed at fortnightly management meetings.

In 2009 the board undertook an overall review of the company's total risk situation.

The most important risk factors for the company include financial risk associated with foreign exchange, credit and interest rates, and biological risk associated with the state of health at the company's hatchery and fish farming facilities. These risk factors are monitored and addressed by managers at all levels in the organisation. For further information on this matter, please see the annual report and Note 19 to the financial statements.

#### DIRECTORS' FEES

The Nomination Committee's proposal for the remuneration payable to the board of directors for 2009 will be laid before the company's Annual General Meeting. Directors' fees shall reflect the board's responsibilities, competence, time spent and the complexity of the business.

Directors' fees are not performance-related and contain no share option element. Additional information relating to directors' fees can be found in Note 21 to the financial statements.

#### REMUNERATION TO SENIOR EXECUTIVES

Pursuant to Section 6-16a of the Public Limited Companies Act, the board of directors has drawn up a declaration relating to the determination of salaries and other benefits payable to senior executives. This declaration will, in line with the said section, be laid before the company's AGM on 2 June 2010. The company shall offer competitive terms and conditions in order to attract and retain key personnel with the necessary competence.

The declaration refers to the fact that the board of directors shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the declaration. Pursuant to the authorisation given to the board of directors, a share option scheme has been established for key personnel. Today's compensation scheme is divided into three and comprises a fixed salary, a performance-related bonus and a share option scheme in line with the board's authorisation.

The board's declaration for 2009, as well as further details relating to the salary and benefits payable to the CEO and other senior executives can be found in Note 21 to the financial statements.

#### INFORMATION AND COMMUNICATION

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. All notices sent to the stock exchange are made available on both the company's website , the Oslo Stock Exchange's www.newsweb.no site and though news agencies (via

Hugin). The company has adopted an "IR policy" which is available from its website.

The company holds open investor presentations in association with the publication of its year-end and interim results. These presentations provide an overview of the Group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and company's own future prospects. These presentations are also made available on the company's website. The company shall publish its provisional year-end accounts by the end of February each year. Each year SalMar publishes a financial calendar indicating the dates of publication of the Group's interim reports, as well as the date of its AGM. The calendar is available from the Group's website: www.salmar.no. It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's www.newsweb.no site. The calendar is published towards the end of each year.

The CEO and CFO are responsible for communications with shareholders in the period between AGMs.

#### **ACQUISITION**

The board of directors endorses the principle of non-discrimination of shareholders. The board undertakes to act in a professional manner and in accordance with applicable legislation and regulations. Accordingly, the board agrees to abide by the principles laid down in the Code of Practice for Corporate Governance relating to the board's responsibilities and duties in a takeover situation.

#### **AUDITOR**

The company's auditor is appointed by the Annual General Meeting and is independent of SalMar ASA. Each year the board of directors shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met. The auditor shall draw up the main lines of a plan to carry out the audit, and the plan shall be made known to the board of directors (the Audit Committee will take over this responsibility in 2010). Furthermore, the auditor shall hold at least one meeting each year without any representatives of the company's management being present.

The board shall inform the AGM of the remuneration payable to the auditor, broken down into an auditing and other services component. The AGM shall approve the auditor's fees.

The company has drawn up guidelines for any work other than auditing to be carried out by the auditor or persons associated with the auditor. The auditor participates in board meetings in connection with the treatment of the year-end accounts, and, at the same time as the board of directors, reviews the company's internal control systems. This includes the identification of weaknesses and proposals for improvement. The auditor will also attend the company's AGM.

## management

THE JOB we do today shall be done BETTER than yesterday





#### LEIF INGE NORDHAMMER

President and CEO
Mr. Nordhammer has been CEO of
SalMar ASA since October 1996.
He has extensive experience from
leadership positions in a variety of
companies, and has worked in the
fish farming industry since 1985.
Previous employers include Sparebanken 1 Midt-Norge and Frøya
Holding AS/ Hydro Seafood AS.
Mr Nordhammer holds a business
degree from Trondheim Business
College and the University of
Trondheim.

Shareholdings: Mr Nordhammer owns 100% of LIN AS, which in turn owns 2,43% of the shares in SalMar ASA.

Options: None



#### BJØRN LARSEN

Head of Farming
Mr Larsen has been head of SalMar
fish farming Central Norway since
1997. He has extensive experience
from the salmon farming industry.
Before joining SalMar ASA, Mr
Larsen held various positions in
companies within the aquaculture
industry, including Frøya Lakseslakteri og Fiskeoppdrett AS,
Timar AS and Frøya Holding AS.

Shareholdings: 30.000 Options: 325.000



#### **GUSTAV WITZØE**

Head of business development
Mr Witzøe is the co-founder of
SalMar ASA. After several years
of working as an engineer he set
up BEWI AS, a company producing
Styrofoam boxes for the fish farming industry. He held the position
as managing director of BEWI AS
until 1990. Since Mr Witzøe founded SalMar ASA in 1991 he has
gained extensive experience in fish
farming and processing. Mr Witzøe
holds a degree in engineering.

Shareholdings: Mr Witzøe owns 91,8% of Kverva AS, which in turn owns 53,4% of the shares in SalMar ASA. Options: None



#### ROGER SØRENSEN

Head of processing
Mr. Sørensen has been the head
processing activities in SalMar ASA
since November 2009. He comes
from the position of Chief Officer
for the municipality of Frøya and
has held central positions in the
seafood industry since 1989.
Previous employers include Hydro
Seafood/Marine Harvest and
Aker Seafoods. His educational
background is within economics
and business administration from
Graduate School of business in
Bodø/Oslo.

Shares: None Options: None



#### **ROAR HUSBY**

Chief Financial Officer
Mr Husby has previously held
positions with Ernst & Young AS
in Trondheim (2002 - 2007) and
strategy consultancy Marakon
Associates in London (1997 2002). He graduated from London
School of Economics and Political
Science in 1997 with a BSc and
an MSc in Management.

Shareholdings: None Options: 100.000



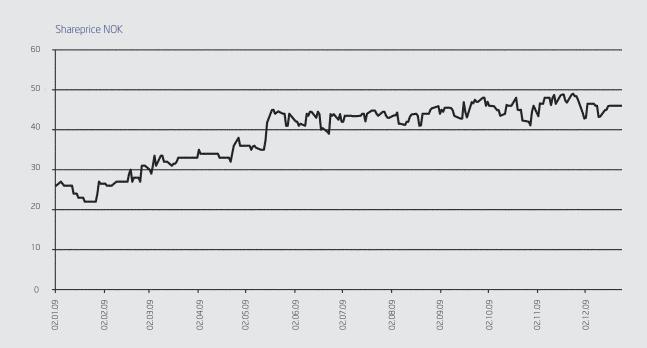
#### **DAG NIKOLAI RYSTE**

Head of logistics, sales and marketing Mr. Ryste has held the position of head of Logistics, sales and marketing since December 2009. Prior to joining SalMar ASA Mr. Ryste held the position as CEO of Volstad Seafood AS, a position he held from 2003. Volstad Seafood AS was acquired by SalMar ASA in December 2009. Mr. Ryste has also held central positions within the Norwegian fishery and farming industry, including positions with Pan Fish Group (1996-2003) and Longvafisk AS (1992-1996). His educational background is Magister degree from Fiskeritekninsk Høyskole (1988 -92).

Shares: None Options: None



# SHAREHOLDER information



#### SHARE PRICE DEVELOPMENT

Share price per 01.01.2009 was NOK 26.00 thus valuing SalMar at NOK 2 678 million. At year end the share price was 46.00 valuing SalMar at NOK 4 738 million.

#### TECHNICAL INFORMATION

SalMar ASA had per 31.12.2009 a total of 103 million shares outstanding. Each share with a face value of NOK 0.25.

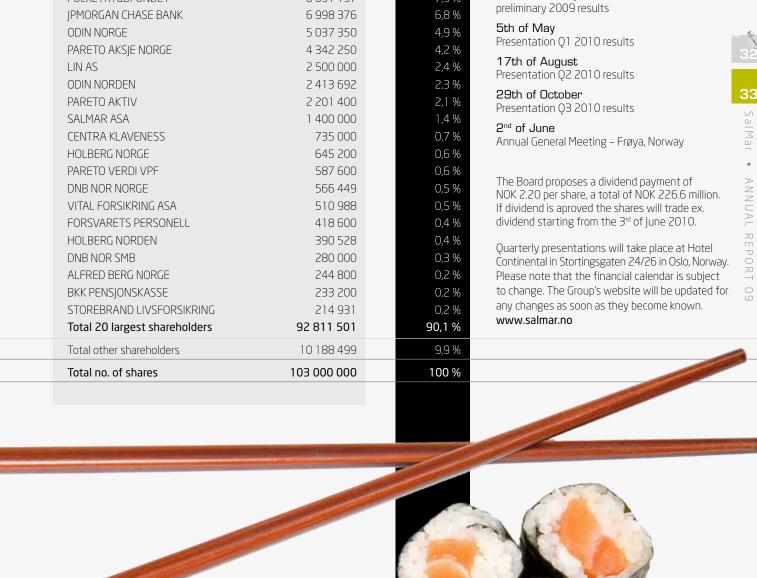
SalMar had per 31.12.2009 1 558 shareholders

SalMars VPS number is ISIN NO 0010310956

The company's share registrar is Nordea Bank

SalMar's ticker on the Oslo Stock Exchange is SALM





SHARE (%)

53,4 %

7,9 %

FINANCIAL CALENDAR 2010

24th of February Presentation of Q4 2009 and

SHAREHOLDING 31.12.08

55 000 000

8 091 137

NAME

KVERVA AS

FOLKETRYGDFONDET

## board of directors report 2009

2009 was a very good year for SalMar, with operating profits reaching record levels at NOK 584.8 million. In the assessment of the board of directors, the Group's position as one of the world's leading aquaculture businesses was solidified during the year, and a solid foundation was laid for further development and strong results in 2010 as well.

Biological control is a key issue for SalMar, and has been the basis for the Group's consistently good performance. In 2009, in addition to biological control, SalMar focused on the construction of the Group's new harvesting and secondary processing plant - InnovaMar, and intensified its activities within sales and distribution.



Gross operating revenues rose by around 40 per cent, from NOK 1,714.3 million in 2008 to NOK 2,377.3 million in 2009. Operating profit before fair value adjustment of the biomass increased by 73 per cent, from NOK 337.5 million in 2008 to NOK 584.8 million in 2009. The board has proposed a dividend payment of NOK 2.20 per share or NOK 226.6 million in total for the 2009 financial year.

The start-up of the InnovaMar facility (whose aim is to be the world's most innovative and cost-effective landing, harvesting and processing plant for salmon) will be one of the highlights of 2010. When the plant is fully operational in the second half of the year, SalMar will have further improved its operational efficiency and strengthened its competitive position.

#### RECORD RESULTS IN 2009, BUT NO TIME TO RELAX

#### THE BUSINESS

SalMar is one of the world's largest and most efficient producers of farmed salmon. The Group has operating licences for marine-phase fish farms and hatcheries in central Norway and Troms County. At the end of 2009 SalMar had 56 licences for the production of farmed Atlantic salmon, 43 in central Norway (Møre & Romsdal, South and North Trøndelag) and 13 in northern Norway (Troms). SalMar also owns all the shares in the sales company Volstad Seafood AS and 50 per cent of the shares in Norskott Havbruk AS, which in turns owns Scottish Sea Farms Ltd, the second largest salmon producer in the UK. At the end of the year the Group had operations in 16 local authority areas in Norway and a workforce totalling some 570 people.

#### Strategic focus areas

SalMar has a number of long-term, strategic focus areas which provide a platform for the Group's further development.

#### These include:

- SalMar will increase production volume through improved utilisation of existing licences as well as the acquisition of other aquaculture companies.
- SalMar will process more of the salmon it produces. Increased processing results in greater efficiency and higher quality, is of benefit to the environment from a transport point of view, and contributes to the maintenance and development of the local community. The InnovaMar facility, which is currently under construction in Frøya, will be completed in 2010, and is the cornerstone of this effort.
- SalMar will further develop its capacity and competence with respect to the sale and distribution of Atlantic salmon.

- SalMar will be self-sufficient in high-quality smolt.
- SalMar will constantly develop the Group's cultural and operating model (the SalMar Standards) in all areas of its operations. All group facilities shall be operated in accordance with the same principles and goals, based on the same values.
- SalMar's operating model and culture will contribute to the sustainable development of the aquaculture industry, environment-friendly food production and stimulate the development of the local communities in which the Group operates.

#### **MARKETS**

A total of 855,000 tonnes of Atlantic salmon was harvested in Norway in 2009, 16 per cent more than in 2008. 95 per cent of this volume was exported. Despite the turbulence in the financial markets and the economic downturn affecting many countries around the world, demand for and consumption of Norwegian salmon rose in the most important markets. Overall volume growth in the EU came to 11 per cent, while China/Hong Kong saw growth of 26 per cent, Russia and France 9 per cent, and Poland 21 per cent. Due to the sharp downturn in volumes from Chile, sales to the USA grew by a staggering 395 per cent.

The price of Atlantic salmon in 2009 was higher in every quarter than in the corresponding period in 2008. On average, salmon prices in 2009 were around NOK 5 per kg higher than in 2008. The rise in prices was particularly strong in the second quarter, with prices around NOK 10 higher than in the second quarter 2008.



At the end of the year the biomass in Norwegian fish farming facilities was around 16 per cent higher than in the corresponding period in 2008. The biomass in the UK was more or less the same as the year before, while the volume in Chile was down by around 70 per cent. The aquaculture industry in Chile is facing major biological challenges. Chilean exports of Atlantic salmon were cut by 45 per cent, from 400,000 tonnes in 2008 to 220,000 tonnes in 2009. As previously mentioned, Norway increased its output by around 16 per cent in 2009, but due to developments in Chile the global supply of Atlantic salmon fell by around 2 per cent overall. This reduction in supply, combined with a continued strong demand, contributed to the high price level in 2009.

Volumes from Chile are expected to fall by a further 65 per cent in 2010, with the total output for the year reaching 80,000 tonnes or thereabouts. Although Norway will be able to increase its output in 2010, we will still see an overall reduction in the supply of Atlantic salmon during the year. Estimates put the reduction at around 5 per cent in 2010, which would pave the way for another year of very strong salmon prices. Norway will be practically the only country in a position to increase its output in 2010 compared with 2009.

However, uncertainty continues to attach to developments in demand in individual markets due to the global macroeconomic picture. The strength of the NOK against the EUR and the USD will also affect demand and the price paid to Norwegian fish farmers. As our trading partners' currencies weaken against the NOK, maintaining salmon prices measured in NOK becomes more challenging, since in reality a weakening in the exchange rate represents a price increase for our customers.

#### **ABOUT 2009**

### Strong increase in the value of aquaculture companies on the Oslo Stock Exchange.

Following very weak returns in 2008 the Oslo Stock Exchange's main index rose by 65 per cent in 2009. The value of listed aquaculture companies also rose sharply during the year. On average the market capitalisation of the five largest aquaculture companies rose by 169 per cent during the year. SalMar's share price, which had fallen less than all the other aquaculture companies in 2008, rose by 79 per cent.

The sharp rise in price can be ascribed primarily to two factors. 1) A generally good year for listed securities, due to increased liquidity in the financial markets and reduced fear of a long-term financial and economic crisis. 2) Record high salmon prices, resulting from reduced volume of Atlantic salmon in Chile combined with a continued strong demand.

SalMar's largest shareholder is Kverva AS, with a shareholding of 53.4 per cent. Kverva AS is controlled by SalMar's founder Gustav Witzøe. At the end of the year SalMar had 1,558 shareholders.

#### A very good year for the SalMar Group

2009 was a strong and exciting year for the Group. Among the highlights were:

- The highest ever consolidated operating profit, totalling NOK 584.8 million.
- Industry leading margins in central Norway and improved margins in northern Norway and Scotland.

- Construction of the InnovaMar plant in Frøya got underway on 16 February.
- The Group was awarded three licences for the production of farmed organic salmon.
- A research and development agreement was entered into with Aquaculture Engineering (ACE), a joint venture between the research institute Sintef and the Norwegian University of Science and Technology (NTNU).
- Agreements were entered into for joint operations with three additional licences in central Norway.
- The sales company Volstad Seafood AS became a wholly owned subsidiary.

SalMar generated gross operating revenues of NOK 2,377.3 million in 2009, compared with NOK 1,714.3 million in 2008. Operating profit before fair value adjustment of the biomass totalled NOK 584.8 million, compared with NOK 337.5 million in 2008. Profit after tax and fair value adjustment of the biomass came to NOK 470.9 million, compared with NOK 168.8 million in 2008. This corresponds to earnings per share of NOK 4.57 in 2009, compared with NOK 1.64 in 2008.

#### SalMar Central Norway - still in front

As in 2007 and 2008 SalMar Central Norway posted industry leading margins in 2009. The business harvested 50,300 tonnes gutted weight in 2009, compared with 42,300 tonnes in 2008, an increase of 19 per cent. The rise in harvested volume is due to a combination of improved utilisation of each individual operating licence and an increase in the overall number of licences.

SalMar Central Norway made an operating profit before fair value adjustment of the biomass of NOK 507.1 million. This corresponds to a profit of NOK 10.08 per kg gutted weight, up from NOK 7.62 per kg in 2008. The price of salmon averaged NOK 5.0 more in 2009 than in 2008, which contributed to the increase in margin. The destruction of biomass at a site infected with the PD virus, somewhat higher sea lice treatment costs and fixed-price contracts in a rising market all had a negative impact on margins. SalMar has drawn up its own strategy for dealing with sea lice, and now has good control of the situation at all its sites. Since the summer neither SalMar nor other fish farmers in central Norway have experienced further outbreaks of the PD virus, and the biological starting point for 2010 is very good.

In connection with the authorities' round of licence allocations in the summer of 2009, SalMar was granted three licences for the production of organic salmon. These licences will be utilised in central Norway. The Group now owns 43 operating licences in the region. The first organic salmon are expected to be ready for market in the autumn/winter of 2010.

In 2009 SalMar entered into partnership agreements with three of the other companies which were awarded

licences for the production of salmon in central Norway in the recent round of allocations. The agreement covers joint operation of sites as well as harvesting of the biomass at SalMar's processing plant in Frøya. Collaboration with the research institute Sintef and the Norwegian University of Science and Technology (NTNU), through the company ACE, was initiated in 2009 with respect to operation of an R&D licence (the equivalent of three ordinary production licences). The licence will be used for large-scale research projects in addition to commercial production of salmon.

# Record result for SalMar Northern Norway, but still room for improvement

SalMar Northern Norway is based on the company Senja Sjøfarm AS which became a wholly owned subsidiary of SalMar towards the end of 2006. Senja Sjøfarm has subsequently changed its name to SalMar Nord AS. Since 2006 SalMar has been working systematically to implement the "SalMar Standards" throughout the business. The volume of salmon harvested by SalMar Northern Norway rose from 11,400 tonnes gutted weight in 2008 to 14,000 tonnes in 2009, an increase of 23 per cent.

SalMar Northern Norway made an operating profit before fair value adjustment of the biomass of NOK 86.3 million in 2009. This corresponds to a profit of NOK 6.16 per kg gutted weight, compared with NOK 2.83 per kg in 2008. While the improved margin can largely be ascribed to increased salmon prices during the period, there was also a marked improvement in the overall development of the biomass. Despite the increase in margin, the business still has room for improvement and the leadership of SalMar Nord AS is working hard to deliver more stable profits in the years to come.

Profits in 2009 were affected by outbreaks of the ISA virus at two sites. The entire biomass at both sites was harvested during the year. The outbreaks of ISA necessitated the harvesting of salmon before they reached optimal size with and higher production costs than normal, as well as a slightly higher mortality rate at the affected sites. By the end of the year, with no sites affected by ISA, SalMar Northern Norway has improved its biological starting point for 2010.

With effect from 1 January 2010 the Fisheries Directorate has revoked one of the licences which SalMar Nord AS has utilised in Troms County. The licence, which covers broodstock production, legally belonged to the Norwegian Seafood Federation (FHL) but has been operated by SalMar Nord AS as a backup to ordinary broodstock production at Aqua Gen. In 2008 the Fisheries Directorate issued a notice that all broodstock licences in Norway would be revoked. Despite the fact that SalMar Nord AS had a plan in place for future operations with Aqua Gen which SalMar deemed to comply with the applicable regulations, the licence was revoked. As a result, in 2010 SalMar Nord AS will operate 13 licences in Troms.

# InnovaMar - a new harvesting and processing plant in Frøya

For the past few years SalMar has been planning the construction of a facility whose aim is to be the world's most innovative and cost-effective salmon harvesting and processing plant. Through increased use of automation and new combinations of technical solutions InnovaMar, as the plant will be known, will strengthen SalMar's competitiveness, increase capacity and flexibility, and improve the quality of the output. The facility will result

in a larger proportion of the salmon being processed locally, which will have a positive impact on the environment due to a reduction in the transport of whole fish, including the head, bones and other parts that are generally discarded by the consumer. InnovaMar's relatively high level of automation will also make it easier for SalMar to build a skilled and long-term workforce. Construction at the plant started in February 2009, and it will go into full operation in the autumn of 2010.

For further details please see the chapter on InnovaMar in the annual report. In connection with the construction of InnovaMar transactions with closely related parties were entered into. These were unanimously approved by the AGM of 28 May 2009. For further details please see the chapter on corporate governance in the annual report.

#### Substantial improvement at Norskott Havbruk AS

The associated company Norskott Havbruk AS, which owns 100 per cent of Scottish Sea Farms Ltd, posted significantly better results in 2009 than in 2008. SalMar owns 50 per cent of Norskott Havbruk, while Lerøy Seafood Group owns the remaining shares.

Scottish Sea Farms harvested 26,500 tonnes gutted weight in 2009, compared with 22,800 tonnes in 2008, a rise of 16 per cent. Norskott Havbruk made a profit of NOK 6.24 per kg gutted weight in 2009, compared with NOK 2.54 in 2008. The company's biological situation has improved significantly since 2008, when margins were strongly affected by the need to combat sea lice on Shetland.

In 2008 and 2009 Scottish Sea Farms, in collaboration with the authorities and other salmon farmers in the area, worked continuously to improve the biological situation on Shetland, including the implementation of such measures as generational separation and zoning. During the same period Scottish Sea Farms has refrained from introducing new smolt into the hardest hit area. This produced good results in 2009, and the biological situation for the company at the start of 2010 remains extremely favourable.

#### Investments

Through the year SalMar invested substantial sums in growth (both organic growth and expansion through the acquisition of new licences), as well as in strategic focus areas.

In connection with the authorities' round of licence allocations in the summer of 2009, SalMar was granted three licences for the production of organic salmon. These licences will be utilised in central Norway. Alliances and joint operation agreements have been entered into in connection with a further six licences in the same region. To exploit these new licences substantial investments have been made to increase smolt production capacity, as well as in marine-phase equipment such as net pens, boats, feeding barges and

the construction of new and larger sites. The hatchery division's investment programme will be continued in 2010 to ensure supplies of high quality smolt in line with the Group's growth strategy.

SalMar places great emphasis on maintaining a uniform, high standard at its fish farming sites, and being at the forefront with respect to meeting any requirements and deadlines for the implementation of certification standards for marine operations. These investments, combined with sound operating routines, are intended to prevent equipment failures and the escape of fish from SalMar's facilities.

During the fourth quarter SalMar acquired the remaining 66 per cent of the shares in Volstad Seafood AS, a transaction which brought the Group's total shareholding in the company to 100 per cent. The acquisition strengthens SalMar's capacity and competence with respect to the sale and distribution of Atlantic salmon, particularly to the Asian markets.

As previously mentioned, InnovaMar is a unique project, with a total investment in buildings and machinery of around NOK 460 million. The plant will be fully operational by the end of 2010, and is intended to be the world's most innovative and cost-effective landing, harvesting and processing facility for farmed salmon. When it is completed in the second half of 2010 SalMar will be in a position to ensure that a significantly larger proportion of its overall output is utilised effectively and exported as fillets rather than whole harvested fish.

It is the opinion of the board of directors that throughout last year SalMar strengthened its foundation for continued growth with respect to the goals and strategies applicable to the Group.

# FINANCIAL PERFORMANCE IN 2009 Income Statement

The SalMar Group generated gross operating revenues of NOK 2,377.3 million in 2009, compared with NOK 1,714.3 million in 2008. This is a rise of almost 40 per cent. The business in Norway harvested 64,300 tonnes gutted weight in 2009, compared with 53,700 tonnes in 2008. Including SalMar's 50 per cent stake in the volume produced by Scottish Sea Farms Ltd, the Group harvested 77,600 tonnes gutted weight in 2009, compared with 65,100 tonnes in 2008. The Group made an operating profit before fair value adjustment of the biomass of NOK 584.8 million in 2009, compared with NOK 337.5 million in 2008. Operating profit before fair value adjustment of the biomass came to NOK 9.1 per kg gutted weight in 2009, compared with NOK 6.3 per kg in 2008. Profit after tax totalled NOK 470.9 million in 2009, compared with NOK 168.8 million in 2008. Earnings per share totalled NOK 4.57 in 2009, compared with NOK 1.64 in 2008.

SalMar Central Norway's operating revenues rose to NOK 2,337.6 million in 2009 from NOK 1701.6 million in 2008. Operating profit before fair value adjustment of the biomass totalled NOK 507.1 million, compared with NOK 322.1 million in 2008. This corresponds to an operating profit before fair value adjustment of the biomass of NOK 10.08 per kg gutted weight in 2009, compared with NOK 7.62 per kg in 2008. SalMar Central Norway harvested some 50,300 tonnes gutted weight in 2009, compared with 42,300 tonnes in 2008. The rise in harvested volume can primarily be ascribed to enhanced utilisation of existing production licences.

SalMar Northern Norway generated gross operating revenues of NOK 401.7 million in 2009, compared with NOK 275.0 million in 2008. Operating profit before fair value adjustment of the biomass totalled NOK 86.3 million in 2009, compared with NOK 32.4 million in 2008. This corresponds to an operating profit before fair value adjustment of the biomass of NOK 6.16 per kg gutted weight, compared with NOK 2.83 per kg in 2008. Despite the challenges experienced during the year the biological key figures showed an improvement, and the starting point for 2010 was good. SalMar Northern Norway harvested 14,000 tonnes gutted weight in 2009, compared with 11,400 tonnes in 2008. The increase in harvested volume is due to improved utilisation of existing production licences

SalMar's key figure for profit performance under IFRS is EBIT (operating profit) before fair value adjustment of the biomass. Adjustment of the fair value of the biomass results from the requirement to value biological assets (the biomass) at fair value instead of cost price. Changes in price and the composition of the biomass during a period can therefore have a major impact on this value. SalMar reports EBIT before fair value adjustment of the biomass in order to show the underlying performance of its operations during the period.

The associated company Norskott Havbruk AS made an operating profit before fair value adjustment of the biomass of NOK 165.5 million in 2009, compared with NOK 57.9 million in 2008. Since Norskott Havbruk is defined as an associated company, SalMar recognises 50 per cent of the company's profit after tax (and fair value adjustment of the biomass) as financial income. The company's contribution in 2009 totalled NOK 56.9 million, compared with NOK 12 million in 2008. The increase can be ascribed to a combination of improvements in the biological situation, higher volumes and higher salmon prices. Through Scottish Sea Farms, Norskott Havbruk harvested some 26,500 tonnes in 2009, compared with 22,800 tonnes in 2008.

SalMar owned 33 per cent of Volstad Seafood AS from January to November, and 100 per cent from December 2009. The company generated NOK 547 million in gross operating revenues in 2009, compared with NOK 437 million in 2008. Operating profit in 2009 totalled NOK 5 million, compared with NOK 5.6 million in 2008. Volstad was recognised as an associated company from January to November, and was consolidated in the Group's accounts from December.

Other financial items came to NOK -2.8 million in 2009, compared with NOK -82.0 million in 2008. Net interest expenses for the year totalled approx. NOK 30 million. The Group has had a relatively low net interest-bearing debt at the same time as interest rates fell steadily through the year. The change in value of currency items produced significant gains, which cut the amount of financial items to NOK -2.8 million.

SalMar's board of directors is pleased with the Group's financial performance and is of the opinion that through the year SalMar has strengthened both its financial position and relative competitive position.

#### Balance sheet

The Group's intangible assets rose from NOK 1,111.0 million in 2008 to NOK 1,141.4 million in 2009. The increase is due for the most part to the value of production licences acquired during the year. The book value of the Group's biological assets (marinephase fish stocks) rose from NOK 971.5 million at the start of the year to NOK 1.011.5 million at the end. The increase has helped to raise the book value of the Group's current assets from NOK 1,275.5 million to NOK 1,588,5 million during the period.

The Group's equity rose from NOK 1,315.1 million at the start of the year to NOK 1,699.8 million at the end of 2009. The increase in equity is due to profit for the period adjusted for payment in June of NOK 41.2 million in dividend and the buyback of 800,000 treasury shares in August. For a detailed account of equity movements during the year, please see the financial statements.

The Group's long-term liabilities were largely unchanged from 2008 to 2009. Long-term liabilities at the end of the year totalled NOK 1,318.4 million, compared with NOK 1,311.0 a year earlier. The Group's current liabilities have increased from NOK 442.3 million to NOK 532.1 million.

Total capital at the end of the year amounted to NOK 3,550.3 million, compared with NOK 3,068.4 million the year before. The Group had an equity ratio of 48 per cent as at 31 December 2009, compared with 43 per cent at the same point in 2008. Net interest-bearing debt was reduced from NOK 984.4 million to NOK 783.8 million.

A healthy financial position is considered a crucial element in the Group's strategy of further growth and profitability. The board will continue to place great emphasis on this area.

#### Cash flow

The Group's overall cash flow from operating activities totalled NOK 513.6 million in 2009. Cash flow from investing activities was negative in the amount of NOK 201.3 million, largely due to investments in fixed assets, acquisitions and the InnovaMar project. Cash flow from financing activities was negative in the amount of NOK 186.7 million and reflects a net change in bank financing. Net cash flow during the period totalled NOK 125.6 million.

Cash reserves totalled NOK 148.4 million at the end of the year, compared with NOK 23.5 million at the start. Together with established bank credit facilities, the Group's liquidity and financial position are considered sound. The board considers that the Group is well placed to finance further growth.

#### OPERATIONAL RISK AND RISK MANAGEMENT

Risk will normally attach to the Group's business operations. The largest risk facing SalMar relates to the development of its fish stocks, both at its hatcheries and marine-phase fish farms. Even though SalMar draws up and establishes effective routines for its own operations, the business is such that it will always be important to know what competitors and neighbouring facilities are doing.

In 2009 the aquaculture industry faced challenges associated with the spread of sea lice, and more frequent incidences of lice resistant to the preparations and medications which have been effective against sea lice for the past decade. This was particularly pronounced in North Trøndelag. SalMar is playing an active role in the effort to combat this problem, and is collaborating effectively with the regulatory authorities, other aquaculture companies and the scientific community with regard to reducing the biological risk. SalMar has drawn up its own strategy for dealing with sea lice, and this strategy has been implemented since mid-2009. In addition to its own strategy, the Group complies with all quantifying and treatment strategies initiated by the authorities. At the time of writing SalMar has the sea lice issue under control at all its sites, no sites have infestation levels exceeding the authorities' threshold for the implementation of remedial measures. SalMar is convinced that lice number can be kept to acceptably low levels through various combinations of treatment forms and medications, as well as the already established collaboration between fish farmers. An important contribution to this will be increased use of wrasse, which live alongside the salmon in the net pens and feed on the lice. SalMar has started farming wrasse, and the company expects its first batch of in-house produced fish to have been transferred to its fish farms by the end of 2011.

In general, SalMar's uncompromising focus on biological quality and control means that it chooses solutions and implements measures which safeguard long-term biological quality over short-term financial gains.

The management of risk is a key part of management's responsibilities. The Group has systems and routines in place to monitor key risk factors in all business areas, and places great emphasis on carrying out site audits in accordance with its quality manual and defined operating standards.

It is also important for production to take place at sites which have the capacity to sustain the volumes being produced. To ensure the quality of the fish farms, analyses and environmental audits are routinely performed at the Group's sites.

Although the biological problems affecting Chile's salmon producers will lead to a favourable market balance for the next few years, it is still important to work systematically to develop all the Group's major markets in order to limit the risk associated with the build up/recovery of production in Chile, economic cycles in individual markets and exchange rate fluctuations which may affect the products' competitiveness. Specific examples of this include SalMar's systematic efforts in Russia and the markets of south east Asia through Sal-Mar Japan KK and the acquisition of Volstad Seafood AS.

It is the responsibility of the CEO to ensure that the Group operates in line with all relevant legislation

and guidelines governing the operations of the Group's various entities. The follow-up and control of risk factors, as well as compliance with the Group's values and code of conduct is carried out in the line organisation as part of day-to-day operations.

#### FINANCIAL RISK AND RISK MANAGEMENT

The follow up of internal controls associated with financial reporting is carried out through management's day-to-day supervision, the process owners' follow up and the auditor's independent testing. Non-compliances and improvement areas are followed up and remedial measures implemented. Financial risk is managed by a central unit at head office, and financial hedging instruments are employed where they are considered appropriate. The auditor has issued a statement confirming that with respect to its financial reporting the Group's internal controls are satisfactory.

#### Foreign exchange risk

Changes in exchange rates represent both a direct and indirect financial risk for the Group. Foreign currency revenues and assets denominated in foreign currencies are partly hedged by means of forwards contracts. Foreign exchange exposure linked to operations is, however, limited, since the purchase of input factors and the sale of products take place largely in NOK (Norwegian kroner). Use of forward currency contracts is described in Note 20 to the financial statements.

#### Interest rate risk

The debt portfolio is currently at floating interest rates, which means that the Group is affected by changes in the level of interest rates.

#### Credit risk

The risk of a counterparty not having the financial resources to meet his obligations has, historically, been considered low, and SalMar's losses resulting from bad debts have been small. The economic downturn experienced in large parts of the world in recent years has led SalMar to tighten its commercial conditions and focus more strongly on the follow up of accounts receivable. As mentioned above credit risk is currently not a problem for SalMar, but it is deemed appropriate to focus on this issue also in 2010.

The Group does not have any significant credit risk associated with any individual counterparty or counterparties which may be considered a group due to similarities in the credit risk they represent. The Group has guidelines to ensure that sales are made only to customers which have not previously had material payment problems, and that outstanding sums do not exceed defined credit limits. A large share of the Group's accounts receivables are insured against bad debts.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financing structure which is secured by means of established credit facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in the Statement of Cash Flow. The Group's strong equity ratio, its prospects for future profits and current credit facilities are such that the board considers the Group's liquidity risk to be low at present.

#### RESEARCH AND DEVELOPMENT

SalMar focuses strongly on the development of scientific, technical and process competence in all its business areas. The SalMar School collects, develops and disseminates knowledge and "best practices" throughout the organisation. At the same time, management in each business area is responsible for identifying and implementing projects and initiatives which can help to expand the Group's overall competence as well as strengthening the technical and practical solutions which will be used at the InnovaMar facility, among others.

A number of other development projects were actively pursued in 2009. These covered such areas as processing of salmon filets, filling of salmon portions and automatic packing processes. All these projects were completed in 2009, and are now due to be tested or rolled out on a large scale. When the new plant is completed in 2010 it will contain new applications for technical solutions and innovative work processes related to the harvesting and processing of salmon.

SalMar has taken the initiative or been a participant in a number of R&D activities an projects relating to fish farming. These include:

- A collaboration with Sintef for the utilisation of an R&D licence which the research institute Sintef has at its disposal (corresponding in size to three ordinary production licences). R&D activities are linked primarily to the development of technological equipment for use by the aquaculture industry.
- A sea current modelling project in collaboration with all otherfish farmers in central Norway, the county council and Sintef, whose purpose is to reduce the risk of PD and ISA outbreaks spreading from one area to another.
- Study relating to the farming of wrasse as a means of combating sea lice.
- Development of improved operating routines and software for the optimisation of biological production.
- Use of TelCAge for surveillance and feeding from land.
- Benchmarking of vaccines.
- Use of eggs which are more resistant to the IPN virus.
- Alliance with Aqua Gen linked to the analysis of different families' resistance to HSMI.
- Participation in two user competence projects supported by the Research Council of Norway. One project linked to salmon lice and one relating to biomass measurement. The projects received funding in 2009, and will get underway in 2010.

In collaboration with Meralliance in France, SalMar has developed its own specification for the production of salmon to be sold as fresh fish and smoked salmon, under the brand-name "Label Rouge". Output of Label Rouge salmon has risen steadily from its commencement in 2007, and further increase in the time ahead is expected, not only in France but also markets.

#### GOING CONCERN

With reference to the Group's profits, financial strength and long-term forecasts for the years ahead, it is confirmed that the financial statements for 2009 are based on the assumption that SalMar is a going concern. In the opinion of the board, the Group's financial position is very good.

#### **DIVIDEND POLICY**

SalMar's objective is to provide its shareholders with a competitive return on their invested capital, given the company's risk profile. This return shall be achieved through a combination of share price increase and the payment of a dividend by the Group. The Group plans to pay out its surplus liquidity (liquidity not needed for the Group's day-to-day operations and future development) as a dividend or a capital reduction with a payout to the shareholders. The Group will also periodically assess whether any available liquidity should be used for new investments or the repayment of debt rather than being paid as a dividend. Payment of an annual dividend is intended, conditional upon the approval of the annual general meeting. The company will also consider whether to buy back its own shares within the framework of the authorisations granted to the board of directors by the annual general meeting.

#### PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

The parent company SalMar AS made a net profit for the year of NOK 291.7 million. The board of directors is proposing a dividend payment of NOK 2.20 per share – a total of NOK 223.5 (net of own shares, NOK 226.6 in total). The board thereby proposes the following allocation of funds.

- Provision for dividend NOK 223.5 million
- Transferred to/from Other equity NOK 68.2 million
- Total NOK 291.7 million

After payment of dividend, the distributable reserve totals NOK 95.5 million.

#### HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Consideration for health, safety and the environment is one of Sal-Mar's core values. Efforts are continuously being made to prevent incidents which may cause injury to staff, or harm to tangible or intangible assets and the external environment.

At the end of 2009 the Group had around 570 employees, of whom approx. 175 were women. It is SalMar's clear objective to be a workplace in which there is complete equality between the genders and between various ethnic groups. The working environment is considered to be good, and the Group is working systematically to implement measures to improve the environment.

That SalMar's employees are in good health and work in safe and healthy surroundings is a competitive advantage, both in terms of recruiting and retaining staff, and with respect to sustainable business development. The Group has therefore taken steps to provide a company health service, as well as a great many activities in which employees may participate. Both of these factors help to strengthen the individual employee's motivation, as well as their physical and mental health.

SalMar is making a determined effort to reduce absence due to illness among its staff. Throughout 2009 measures were imple-

mented to reduce absence and improve the individual's work situation. Among these initiatives are the individual adjustment of workloads, the provision of massage therapy and the hiring of a swimming pool with therapy pool.

The short-term absence due to illness rate in 2009 was 2.92 per cent, compared with 2.89 per cent in 2008. The long-term absence rate in 2009 was 3.98 per cent, compared with 3.90 per cent the year before. Absence rates are considered relatively low in relation to other comparable businesses. Systematic efforts are being made to implement preventative measures and adapt employees' working conditions to their individual needs. A total of 38 job-related injuries were reported during the year, the same number as in 2008.

In 2009 the affiliated company Scottish Sea Farms Ltd experienced the most tragic event that can happen to any company. Two workers tragically lost their lives during maintenance work on a feed barge. They went in to a confined space with oxygen depletion. This tragic accident has impacted the entire organization, and procedures have been put in place to avoid this from happen again. Our thoughts and support go to the families of the deceased.

As a steward of considerable natural resources SalMar. also has a significant responsibility for the environment. For this reason the Group makes every effort to make as little impact on the environment and community-held property as possible. This is achieved through a number of measures, including strictly controlled waste management at all levels, the vaccination of all juvenile fish to reduce the risk of disease and its spreading, and a zero-tolerance for incidents of its own making which could lead to the escape of fish from its marine-phase facilities. SalMar delivers all by-products from its harvesting and processing facilities to Nutrimar AS, which uses them to produce fish meal and fish oil. In this way, SalMar ensures that "the entire fish" is used and that value added is generated from what would otherwise go to waste. The Group engages in close cooperation with both private and public sector bodies and institutions in the field of fish health.

In 2009 the SalMar Group took part in two wide-ranging studies, both of which focused on sustainability and environmental issues.

#### Sustainable development

Several of Norway's largest financial investors have joined forces to encourage publicly listed companies to focus on sustainable and long-term value-creation. Among these investors we find KLP, DnB NOR, Odin and the Government Pension Fund Norway. In the survey they carried out SalMar scored 76 points out of a maximum of 100. Of the 34 companies that responded to the survey, only five received a higher score than SalMar. The Group has received feedback indicating where its biggest improvement potential is,

and will work systematically in this area in the time ahead. Read more about the survey at: www.baerekraftigverdiskaping.no

#### Carbon Disclosure Project

475 institutional investors representing a combined investment capital of USD 55,000 billion have initiated the "Carbon Disclosure Project", whose objective is to make businesses throughout the world more aware of their carbon footprint and how they can work systematically to reduce emissions. In 2009 SalMar participated in a wide-ranging study, using external expertise to calculate the carbon footprint left by SalMar's entire value chain. SalMar was one of only 17 companies in Norway that participated in the study. The Group has received feedback indicating where its biggest improvement potential is, and will work systematically in this area in the time ahead. Read more about the survey at: www.cdproject.net

#### **HUMAN RESOURCES AND ORGANISATION**

The strong development and solid results created by SalMar over several years are due to the hard work of all the Group's employees. Their positive attitudes and perseverance have always played an important part in SalMar's success. Through the SalMar School and day-to-day exposure to the Group's performance-based company culture, all employees are stimulated to develop and grow.

Maintaining and developing a company culture and values which have been built up over many years is a major challenge. It is particularly demanding, given the growth the company has experienced. Great emphasis will continue to be placed on company culture and values in the time ahead, so that SalMar can retain its position and be acknowledged as "one of the world's leading integrated fish farming companies".

Efforts are being made to secure access to qualified personnel at all levels in the organisation. Great emphasis is placed on offering employees a good working environment, meaningful job content, as well as fair and competitive pay and conditions. At its processing plant in Frøya the Group employs people from 16 or so different countries. This places increased demands on management to ensure that all employees understand the SalMar culture, as well as perform their tasks correctly and efficiently. SalMar has organised English language tuition for foreign employees to facilitate day-to-day communication for all parties. SalMar also devotes internal resources to assisting its employees, such as finding accommodation for those who need it.

#### DISCRIMINATION

The purpose of the Anti-Discrimination Act is to promote equality, safeguard equal opportunities and rights, and prevent discrimination on the grounds of ethnicity, national origin, descent, skin colour, language, religion or moral philosophy. Within its business operations the Group is working actively to foster an environment in compliance with the spirit of the Act. The Group aims to be a workplace that does not discriminate on the grounds of reduced functional capability. The Group is working actively and systematically to design and adjust the physical conditions at its sites to make them as accessible as possible. For employees or job seekers with reduced functional capabilities, the workplace and the job content are tailored to the individual concerned.

#### CORPORATE GOVERNANCE

SalMar has carried out a thorough review of its principles for corporate governance, and the Group's rules have been compared with

the Norwegian Code of Practice for Corporate Governance. These principles are discussed in detail in a separate chapter of the annual report.

The Group's board of directors comprises five members elected by the shareholders and one employee representative. Two of the shareholder-elected directors are women. This corresponds to a female representation of 40 per cent, which is in accordance with Norwegian legislation.

#### CORPORATE SOCIAL RESPONSIBILITY

SalMar has business operations in many local communities. In a number of these the Group is a major employer and local taxpayer, as well as supporting local voluntary associations and sports clubs.

SalMar wishes to help all its employees, their families and local communities to benefit from the Group's presence and financial success.

#### OUTLOOK

By means of hard work and dedication over many years SalMar has built up a strong position in a growing aquaculture industry. Norway in general, and central Norway in particular, affords excellent natural fish farming conditions, and SalMar will continue to manage these resources in the best possible way for its shareholders, employees, customers and affected local communities.

Based on SalMar's competitive position, financial strength and the market's general development, the Group is facing exciting times ahead. The fish farming business is set for further growth, processing capacity will increase substantially following completion of the InnovaMar facility, sales and distribution expertise will be strengthened, and the SalMar culture further developed.

The industry as a whole has so far managed extremely well despite the global recession in which many economies find themselves. Norwegian exporters of Atlantic salmon have experienced a rise in demand and higher prices than the average in the past year. Our traditionally most important markets, the EU and Russia, continue to grow, while the USA is increasingly demanding salmon from Norwegian farmers due to the fall in output from Chile. This strengthens the board's view that the aquaculture industry will continue to be a major employer and export sector for Norway in general and coastal communities in particular.

It is SalMar's clear objective to maintain its position as one of the world's leading, and most profitable, integrated fish farming groups. It is the opinion of the board that SalMar is well placed to achieve this goal.

Furthermore, the board would like to thank all SalMar's employees for their dedicated efforts, which underpin SalMar's long-term success.

### BOARD OF DIRECTORS SALMAR ASA







#### BJØRN FLATGÅRD

Mr Flatgård is currently working as a professional director of several leading Norwegian companies and as an investor. From 1996 to 2007 he was President & CEO of Elopak ASA. Prior to that he was CEO of Nycomed Pharma and a member of the executive management of Hafslund Nycomed. Mr Flatgård gained an MSc in Chemical Engineering from the Norwegian University of Science and Technology in 1973 and a degree in economics and business administration from the Norwegian School of Management Bl in 1981.

Mr. Flatgård has board positions several Norwegian companies. Amongst others he is a board member of Aker ASA and Aker Biomarine ASA as well as Ćhairman of Handelsbanken Norway. Mr Flatgård joined SalMar's board of directors in August 2002, becoming chairman in 2006. Through his family company GloMar AS, Mr Flatgård owns 3,56% of the shares in Kverva Holding AS, which in turn owns 53,4% of the shares in SalMar ASA. Mr Flatgård is also chairman of Kverva AS.

Mr. Flatgård is not judged to be an independent

#### GUSTAV WITSØF

Mr Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer he co-founded BEWI AS, a company producing Styrofoam boxes for the fish farming industry. Mr Witzøe held the position as managing director of BEWI AS until 1990. Since Mr Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing.

In addition to being a director of SalMar ASA, Mr Witzøe is chairman of Egersund Fisk AS and is a director of Norskott Havbruk AS and Scottish Sea Farms Ltd. Mr Witzøe owns 91,8% of Kverva AS, which in turn owns 53,4% of the shares in SalMar ASA.

Mr Witzøe is also a director of Kverva AS.

Witzøe is a board member of Kverva AS and is not judged to be an independent director.

#### KJELL A. STOREIDE

Mr Storeide is a graduate of the Norwegian School of Economics and Business

Administration (NHH) in Bergen. From1990 to 2004 he was the CEO and co-owner of Stokke Gruppen AS. Mr Storeide is chairman of several industrial companies in Norway and is a director of Innovation Norway.

Mr Storeide joined SalMar's board of directors in February 2008.

Mr. Storeide is judged to be an independent director.





#### SYNNØVE G. ERVIK

Mrs Ervik is the CEO of Erviks Laks og Ørret AS, which is co-owned by her family through KSE Ervik AS. She took over as CEO in 2000 after having worked for the company for more than 20 years.

Mrs Ervik chairs the board of KSE Ervik AS. She joined SalMar's board of directors in April 2006. Mrs Ervik owns 1,000 shares in SalMar ASA.

Mrs. Ervik is judged to be an independent director.

#### MARIT ROLSETH

Mrs. Rolseth is the CEO and 50% owner of Tommen Gram Gruppen. She holds a Master degree from the Norwegian School of Management (BI) and serves on the board of Tommen Gram AS, Brekke Industrier AS, Rindalshytter AS, Rindalslist AS and Gåsvand Eiendom AS.

Mrs. Rolseth has been a member of the board since May 2008. Mrs. Rolseth owns 600 shares in SalMar ASA

Mrs. Rolseth is judged to be an independent director.

#### BJØRN IVAN ESPNES

Mr Espnes has been an employee of SalMar since 1993; initially as a fish farm technician, from 1997 onwards as operations manager. Mr Espnes has trained in industrial mechanics and aquaculture.

He has been the employees' representative on SalMar's board since 1996.





# STATEMENT OF COMPREHENSIVE INCOME NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2009	2 008
Sales revenues	20	2 376 262	1 704 242
Other operating revenues		1 042	10014
Total operating revenues		2 377 305	1 714 256
Change in stocks of goods in progress			
and finished goods (cost principle)		-25 567	-103 844
Excess value of inventory from acquisitions		0	9 303
Cost of goods sold		1 162 445	922 016
Salary & payroll costs	21, 16, 23	265 517	240 393
Depreciation	4, 5	66 578	55 225
Write-down of PP&E and intangible assets	4, 5	11 600	0
Other operating costs	21, 22	311 973	253 701
Total operating expenses		1 792 546	1 376 794
Operating profit before fair value adjustment of the biomass	5	584 759	<b>337 46</b> 2
Fair value adjustment of the biomass	11	-4 624	-32 996
Net operating profit		580 135	304 466
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investments in associated companies	6	56 769	12 248
Interest income		330	3 485
Financial income	24	30 066	364
Interest expenses		32 078	72 178
Financial expenses	24	1119	13 683
Net financial items		53 968	-69 764
Profit before tax		634 103	234 702
Tax	15	163 217	65 874
Profit after tax		470 886	168 828
OTHER COMPREHENSIVE INCOME			
Currency translation differences in associated companies		-20 384	-15 953
Equity transactions in associated companies		4 076	-3 121
Currency translation differences in subsidiary companies		-658	1 023
Change in fair value of hedging instruments		2 205	0
Total comprehensive income		456 126	150 777
Total comprehensive meome		130 120	130777
Minority's share of profit after tax		16	249
Majority's share of profit after tax		470 869	168 579
Minority's share of net profit for the year		16	249
Majority's share of net profit for the year		456 110	150 528
		.53 1 10	. 50 520
Earnings per share/diluted earnings per share	25	4,58	1,64

# BALANCE SHEET 31. DECEMBER NOK 1000

ASSETS	NOTE	2009	2 008
Non-current assets • Intangible assets			
Licences, patents, etc	4	935 916	914 116
Goodwill	4	205 458	196 932
Total intangible assets	4	1 141 374	1 111 048
Property, plant & equipment			
Land, buildings and other real estate	5	102 624	66 864
Plant, equipment and operating consumables	5	403 979	319847
Vessels, vehicles, etc	5	26 684	29 374
Total property, plant & equipment	5	533 286	416 084
Long-term financial assets			
Investments in associated companies	6	268 508	257 615
Investments in shares and other securities	7,8	1 025	975
Pension fund assets	16	4 904	1 637
Other receivables	10, 21	12 720	5 485
Total long-term financial assets		287 157	265 712
Total non-current assets		1 961 817	1 792 844
Current assets			
Biological assets	11	1 011 518	971 454
Other inventory	11	103 176	97 768
Total inventory		1 114 694	1 069 222
Receivables			
Accounts receivables	10	252 155	148 596
Parent company receivables	26	84	552
Other receivables	10	73 163	33 604
Total receivables		325 401	182 752
Bank deposits, cash & cash equivalents	12	148 424	23 541
Total current assets		1 588 519	1 275 515
TOTAL ASSETS		3 550 336	3 068 359

## BALANCE SHEET 31 DECEMBER NOK 1000

EEQUITY AND LIABILITIES	NOTE	2009	2 008
Equity			
Paid-in equity			
Share capital	13	25 750	25 750
Own shares		-350	-150
Share premium fund		112880	112 880
Other paid-in equity		20 454	15 551
Total paid-in equity		158 734	154 030
Retained earnings			
Retained earnings		1 540 158	1 160 184
Total retained earnings		1 540 158	1 160 184
Minority interests		914	898
Total equity		1 699 806	1 315 112
Liabilities			
Non-current liabilities			
Pension liabilities	16	5 784	5 233
Deferred tax liabilities	15	498 508	481 813
Debt to credit institutions	2,14	746 071	758 171
Leasing liabilities	2,14	68 070	65 764
Total non-current liabilities		1 318 433	1 310 981
Current liabilities			
Debt to credit institutions	14	118 073	183 999
Trade payables	2	204 394	133 022
Tax payable	15	146 293	46 271
Public charges payable		19710	19 137
Other current liabilities	19	43 627	59 837
Total current liabilities		532 098	442 266
Total liabilities		1 850 531	1 753 247
TOTAL EQUITY AND LIABILITIES		3 550 336	3 068 359

Trondheim, March 25th 2010

Bjørn Flatgård Chair

Gustav Witzøe Director

Synnove G. Evil Synnøve G. Ervik

Director

Kjell A. Storeide Director

Marit Rolseth Director

Leif Inge Nordhammer President & CEO

Bjørn Ivan Espnes Director/Employee representative

# STATEMENT OF CASH FLOW

NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES	NOTE	2009	2008
Operating profit		580 135	304 466
Tax paid during the period	15	-46 421	-91 021
Depreciation	4, 5	66 578	55 225
Write-downs	4, 5	11 600	0
Options	21	5 195	9 004
Gains/lossses on the sale of fixed assets	5	-1 376	-1 445
Change in inventory / biological assets		-35 052	-99 568
Change in accounts receivable		-78 915	-1 403
Change in accounts payable		45 196	34 309
Change in other current assts and other liabilities		-33 333	3 648
Net cash flow from operating activities		513 607	213 215
CASH FLOW FROM INVESTING ACTIVITIES	4.5	20.500	20.766
Proceeds from sale of fixed assets	4, 5	39 699	39 766
Payments for purchase of fixed assets	4, 5	-254 127	-230 675
Dividend from associated companies	6	45 000	0
Payments for purchase of long-term financial assets		-31 947	-1 458
Net cash flow from investing activities		-201 375	-192 367
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term debt raised	2,14	44 106	114 304
Long-term debt repaid	2,14	-52 997	-53 587
Net change in bank overdraft	·	-69 686	93 830
Interest received		330	3 485
Interest paid		-32 078	-72 178
Purchase of own shares	13	-35 376	-18 693
Payment of dividend		-40 960	-113 300
Net equity paid in	13	0	0
Net cash flow from financing activities		-186 661	-46 139
Net change in bank deposits, cash & cash equivalents		125 571	-25 291
Convertion differences non-Norwegian subsidiaries		-687	1 023
Bank deposits, cash & cash equivalents as at 1 Jan		23 541	47 809
Bank deposits, cash & cash equivalents as at 31 Dec		148 424	23 541
Unused drawing rights	14	1 254 539	1 055 000

# STATEMENT OF CHANGES IN EQUITY

NOK 1000

			Share	Other			
2008 NOTE	Share capital	Treasury shares	premium fund	paid-in equity	Retained earnings	Minority interests	Total equity
Equity as at 1 Jan 2008	25 750	0	112 880	6 547	1 141 501	649	1 287 327
Profit after tax Other comprehensive income					168 579	249	168 828
Currency translation differences							
(associated company accounts)	6				-15 953		-15 953
Equity transactions in							
assosiated companies	6				-3 121		-3 121
Currency translation differences							
(subsidiary accounts)					1 023		1 023
Total comprehensive financial result					-18 051	240	-18 051
Net profit for the year					150 528	249	150 777
Transactions with shareholders							
Equity transactions with							
associated companies	6						
Options	21			9 004			9 004
Dividend for 2007					-113 300		-113 300
Purchase of treasury shares	13	-150			-18 543		-18 693
Total transactions	0	150		0.004	121 042		122.000
with shareholders Equity as at 31 Dec 2008	25 750	-150 150	112 880	9 004	-131 843 1 160 184	0 898	-122 989 1 315 112
equity as at 31 Dec 2000	23 / 30	-130	112 000	וכככו	1 100 104	030	1313112
			Share	Other			
		_	premium	paid-in	Retained	Minority	Total
2009 NOTE	Share capital	Treasury shares			Retained earnings	Minority interests	Total equity
<b>2009 NOTE</b> Equity as at 1 Jan 2009		shares	premium	paid-in equity		_	
Equity as at 1 Jan 2009 Profit after tax	capital	shares	premium fund	paid-in equity	earnings	interests	equity
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income	capital	shares	premium fund	paid-in equity	earnings 1 160 184	interests 898	<b>equity</b> 1 315 112
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences	capital 25 750	shares	premium fund	paid-in equity	<b>earnings</b> 1 160 184 470 869	interests 898	equity 1 315 112 470 886
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts)	capital	shares	premium fund	paid-in equity	earnings 1 160 184	interests 898	<b>equity</b> 1 315 112
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in	<b>capital 25 750</b> 6	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384	interests 898	equity 1 315 112 470 886 -20 384
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies	capital 25 750	shares	premium fund	paid-in equity	<b>earnings</b> 1 160 184 470 869	interests 898	equity 1 315 112 470 886
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences	<b>capital 25 750</b> 6	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384 4 076	interests 898	equity 1 315 112 470 886  -20 384 4 076
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts)	<b>capital 25 750</b> 6	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384 4 076 -658	interests 898	equity 1 315 112 470 886  -20 384 4 076 -658
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrument	<b>capital 25 750</b> 6	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384  4 076  -658 2 205	<b>898</b> 16	equity  1 315 112 470 886  -20 384 4 076  -658 2 205
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts)	<b>capital 25 750</b> 6	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384 4 076 -658	interests 898	equity 1 315 112 470 886  -20 384 4 076 -658
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrumentotal comprehensive financial result Net profit for the year	<b>capital 25 750</b> 6	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384 4 076  -658 2 205 -14 760	898 16	equity 1 315 112 470 886  -20 384  4 076  -658 2 205  -14 760
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrumentation comprehensive financial result Net profit for the year  Transactions with shareholders	<b>capital 25 750</b> 6	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384 4 076  -658 2 205 -14 760	898 16	equity 1 315 112 470 886  -20 384 4 076  -658 2 205  -14 760
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrumen Total comprehensive financial result Net profit for the year  Transactions with shareholders Equity transactions with	<b>capital 25 750</b> 6 ats	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384 4 076  -658 2 205 -14 760	898 16	equity 1 315 112 470 886  -20 384 4 076  -658 2 205  -14 760
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrument Total comprehensive financial result Net profit for the year  Transactions with shareholders Equity transactions with associated companies	<b>capital 25 750</b> 6 ats	shares	premium fund	paid-in equity 15 551	earnings  1 160 184 470 869  -20 384 4 076  -658 2 205 -14 760	898 16	equity 1 315 112 470 886  -20 384  4 076  -658 2 205  -14 760  456 126
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrumentotal comprehensive financial result Net profit for the year  Transactions with shareholders Equity transactions with associated companies Options	<b>capital 25 750</b> 6 ats	shares	premium fund	paid-in equity	earnings  1 160 184 470 869  -20 384 4 076  -658 2 205  -14 760 456 109	898 16	equity 1 315 112 470 886  -20 384  4 076  -658 2 205  -14 760 456 126
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrument Total comprehensive financial result Net profit for the year  Transactions with shareholders Equity transactions with associated companies Options Dividend for 2008	<b>capital 25 750</b> 6 ats	shares -150	premium fund	paid-in equity 15 551	earnings  1 160 184 470 869  -20 384 4 076  -658 2 205 -14 760 456 109	898 16	equity 1 315 112 470 886  -20 384  4 076  -658 2 205  -14 760 456 126  4 903 -40 960
Equity as at 1 Jan 2009 Profit after tax Other comprehensive income Currency translation differences (associated company accounts) Equity transactions in assosiated companies Currency translation differences (subsidiary accounts) Change in fair value of hedging instrumentotal comprehensive financial result Net profit for the year  Transactions with shareholders Equity transactions with associated companies Options	<b>capital 25 750</b> 6 ats	shares	premium fund	paid-in equity 15 551	earnings  1 160 184 470 869  -20 384 4 076  -658 2 205  -14 760 456 109	898 16	equity 1 315 112 470 886  -20 384  4 076  -658 2 205  -14 760 456 126



NOTES to the financial statements 2009

### NOTE 1 - ACCOUNTING PRINCIPLES

#### General

SalMar ASA is registered in Norway, and the company's shares are traded on the Oslo Stock Exchange. The company's head office is located in Frøya. The consolidated financial statements were formally approved by the board of directors 25 March 2010.

The most important accounting principles used in the preparation of the consolidated financial statements are presented below. These principles are applied in the same way in all the periods presented unless otherwise indicated by the description concerned.

#### Principles underlying the financial statements

The consolidated financial statements have been drawn up in accordance with IFRS and interpretations determined by the International Accounting Standards Board which have been approved by the EU.

The consolidated financial statements are based on the principles of historic cost, with the exception of the following accounting items, which are recognised at fair value:

- Biological assets (Note 11)
- Forward currency contracts (Note 9)

#### New and amended standards applied by the Group

In 2009 the Group has applied the following new and amended standards:

- IFRS 7 Financial Instruments: Disclosures (amended). The amendment requires additional information regarding the measurement of fair value and liquidity risk, including details of the valuation methods used when measuring fair value. The amendment affects only the presentation, not earnings per share.
- IAS 1 Presentation of Financial Statements (revised). The revised standard requires that revenue and cost items which were previously taken directly to equity now be presented in an extended profit and loss. In the statement of equity transactions with shareholders and revenue and cost items are presented separately, both distributed as before by equity category. Comparable figures have been amended such that they comply with the revised standard. The change affects only the presentation, not earnings per share.
- IFRS 2 Share-Based Payment (amended) is associated with vesting conditions and cancellations. The amendment makes it clear that vesting conditions are limited to service and performance conditions. Other conditions associated with share-based payments are not vesting conditions, but shall be recognised at fair value on the date they were allocated with respect to transactions with employees and others who supply similar services, and shall not affect the number of allocations which are expected to be redeemed or their value after the date of allocation. All cancellations, either carried out by the entity or by other parties, shall receive the same accounting treatment. The amendment has no impact on the financial statements.
- Borrowing expenses associated with qualifying assets with a start date of 1 January 2009 or later are capitalised as part of the

acquisition cost of the asset concerned. This follows from an amendment to IAS 23 Borrowing Costs. Previously the Group recognised all borrowing expenses in profit and loss. Comparable figures have not been changed in accordance with the transitional regulations. The amendment has no impact on earnings per share for 2009.

# Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

Application of the following new standards, as well as published amendments to and interpretations of existing standards, will be compulsory for the financial statements for 2010 and subsequent years. The Group has elected not to implement any of these ahead of time.

- IFRIC 17 Distribution of Non-Cash Assets to wners. The interpretation regulates the method of accounting for certain defined assets-in-kind which are distributed to an entity's owners. IFRS 5 has also been amended such that assets to be distributed are classified as "held for distribution" when they are available for distribution in their current condition and distribution is highly probable. The amendment is not expected to have any material impact on the financial statements.
- IAS 27 Consolidated and Separate Financial Statements (revised). The revised standard stipulates that the effect of all transactions with non-controlling interests be taken to equity when there is no change in the level of control. Such transactions will no longer result in goodwill or gains or losses. When control ceases, any remaining interest in the entity shall be measured at fair value, and the gain/loss recognised in profit and loss.
- IFRS 3 Business Combinations (revised). The acquisition method for business combinations has been substantially amended. For example, all consideration relating to the acquisition of a business shall be recognised in profit and loss at fair value on the date of acquisition. Conditional consideration is normally classified as a liability and subsequent changes in value taken to profit and loss. For each individual acquisition the Group may choose whether any noncontrolling interests in the acquired company shall be measured at fair value or merely at their share of net assets excluding goodwill. All transaction costs shall be taken to profit and loss. The standard applies to acquisitions dated after 1 January 2010.
- IAS 38 Intangible Assets (amended). The standard has been amended to specify the method of accounting for intangible assets acquired in connection with

business combinations and which are closely linked to other assets or which cover several intangible assets that are closely related to each other. The change has no material impact on the financial statements

- IFRS 5 Measurement of Non-Current Assets (or Disposal Group) Classified as Held-for-Sale (amended). The amendment details requirements for additional information relating to fixed assets (or disposal groups) held for sale or discontinued businesses. The standard also stipulates that the general requirements in IAS 1 still apply, particularly clause 15 (adequate presentation) and clause 125 (sources of estimation uncertainty). The amendment is not expected to have any material impact on the financial statements.
- IAS 1 Presentation of Financial Statements (revised). The amendment stipulates that the fact that a liability may potentially be settled by an issue of equity has no impact on its classification as either a current or long-term liability. The amendment permits the liability to be classified as long-term (given that the entity has an unconditional right to postpone settlement through the transfer of cash or other assets at least 12 months after the balance sheet date) despite the fact that the counterparty may at any time demand that the entity settle in shares.
- IFRS 2 Group Cash-Settled and Share-Based Payment Transactions (amended). The amendment incorporates the previously published IFRIC 8 and IFRIC 11. Furthermore, somewhat more detailed guidance is given for the classification of group payments that were not covered by IFRIC 11. The amendment is not expected to have any material impact on the financial statements.

#### Consolidation principles

The consolidated financial statements include SalMar ASA and those subsidiaries over which SalMar ASA has the power to govern the entity's financial and operational strategy, normally where ownership, directly or indirectly, exceeds 50 per cent of the voting capital. Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of on which control is ceded. The consolidated accounts have been prepared in accordance with uniform accounting principles for similar transactions in all the companies included in the consolidated accounts. All material transactions and balances between group companies have been eliminated.

Shares in subsidiaries have been eliminated in the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value on the date of acquisition, with any excess value being classified as goodwill. For partly owned subsidiaries, only SalMar's share of goodwill is included in the balance sheet . Where the fair value of the assets acquired exceeds the payment made, the difference is treated as revenue in the profit and loss account. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and liabilities leads to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal, undiscounted tax rate.

When shares are acquired in stages, the value of the assets and liabilities on the date the Group was formed is utilised. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities, with the exception of goodwill which is calculated with each acquisition.

Acquisitions made before 1 January 2005 were not adjusted in connection with the transition to IFRS (permitted option).

Investments in companies in which the Group has a considerable but not controlling interest (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20-50 per cent of the voting capital. The Group's share of the profits in such companies is based on the profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the profit and loss account the profit share is shown under financial items, while the assets are shown in the balance sheet under long-term financial assets. The accounting principles used by associated companies have been changed where necessary to achieve consistency with the principles used by the Group as a whole.

#### The SalMar ASA Group

In 2008 the SalMar ASA Group acquired the following shares in subsidiaries: 100% of the shares in Volstad Seafood AS were acquired by SalMar ASA.

See Note 6 for further details.

The Consolidated Financial Statements comprise:

– SalMar ASA	Parent
– SalMar Tunet AS	100 %
– Astamarin AS	100 %
– Follasmolt AS	100 %
– Langsteinfisk AS	60 %
<ul> <li>Straumsnes Settefisk AS</li> </ul>	100 %
– SalMar Farming AS	100 %
– SalMar Nord AS	100 %
– Troms Stamfiskstasjon AS	100 %
– Straumen Havbruk ÅS	100 %
– SalMar Processing AS	100 %
– SalMar Japan K.K	100 %
– Volstad Seafood AS	100 %

#### Minority interests

The share of the profit or loss after tax attributable to minority interests is presented on a separate line after the Group's net profit for the year. The share of equity attributable to minority interests is presented on a separate line under group equity.

#### Critical accounting estimates and assumptions

Preparation of the financial accounts in accordance with IFRS requires that management make evaluations, estimates and assumptions that affect the application of accounting principles and the book value of assets and liabilities in the balance sheet, as well as figures for revenue and expenses for the financial year. Estimates and their underlying assumptions are based on historical experience and other factors deemed relevant and probable at the time the evaluations are made. These evaluations affect the book value of the assets and liabilities where the valuation is not based on other sources. Estimates are reviewed

continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period the changes occur. The evaluations and estimates deemed to be of greatest significance for the Group are as follows:

#### Fair value adjustment of the biomass

In accordance with IAS 41 the Group values live fish at fair value. The estimate of fair value is based on market prices on the balance sheet date in the respective markets in which the Group operates. The calculation of fair value is based on estimates for volume, quality and normal harvesting and sales costs. Fair value adjustment of the biomass based on these estimates has no impact on cash flow and does not affect profit before fair value adjustment of the biomass.

### Goodwill and intangible assets

The book value of goodwill and intangible assets with an indeterminate lifespan is tested for impairment at least once a year, and more frequently if there are indications that a write-down may be necessary. This requires an estimate of the utility value of the cash-flow generating entity to which goodwill and intangible assets can be ascribed. To determine the utility value the Group must estimate the expected future cash flows from the cash-flow generating entity and, moreover, select a suitable discount rate with which to calculate the present value of these cash flows. Expectations regarding future cash flows will vary over time. Changes in market conditions and expected cash flows may result in future write-downs. The most important assumptions with an impact on the present value of cash flows associated with investments are the applicable discount rate, the estimated price of salmon in the Group's markets, production costs, production volume and that there will continue to be a market for salmon in the geographical areas in which it operates.

#### Fair value at acquisition

When a business is acquired, the Group capitalises the business's assets, liabilities and contingent liabilities, provided that the fair value of these can be reliably measured. To capitalise fair values the cost price is allocated between the acquired assets and liabilities, and this can lead to the posting of goodwill. To determine fair values at acquisition an assessment must be made of the reliability of the information available with respect to the acquired assets, liabilities and contingent liabilities. Normally, no active market exists for assets and liabilities acquired in connection with a business acquisition. Alternative methods must therefore be used to determine their fair value. Changes in estimates would lead to balance sheet reclassifications and could have an impact on depreciation in subsequent periods.

Any management evaluations made in connection with the application of IFRS standards, and which have an impact on the accounts, as well as estimates which are likely to be subject to material adjustment in the next financial year, are described in separate notes. This applies specifically to the valuation of the biomass (Note 11) and the valuation of goodwill and licences (Note 4).

#### Revenues

Revenues from the sale of goods are taken to income as they accrue, ie when both risk and control have been largely transferred to the customer. The moment of risk transfer will depend on the delivery terms stated in the sales contract. This will normally be the case when the goods are delivered to the customer (FCA Plant). In certain circumstances risk is deemed to have been transferred when the goods have been delivered to the address

specified by the customer, ie CIF. Revenue is posted at the value of the consideration when the transaction takes place. Operating revenues are posted less public charges, discounts, bonuses and other sales costs.

Dividend is taken to income when the shareholders' right to receive a dividend has been approved by the annual general meeting.

#### **Government grants**

Operating grants are allocated periodically and classified together with the revenue they are intended to augment or the expense they are intended to reduce.

#### Segment reporting

Operating segments are reported in the same way as they are reported internally to the company's highest decision-making bodies. The company's highest decision-making body, which is responsible for the allocation of resources and the evaluation of the operating segments' earnings, is defined as group management. Internal reporting is based on the premise that the Group has fundamentally one business activity: the farming of salmon and trout.

#### **Classification principles**

Liquid assets consist of cash and bank deposits.

Assets which form part of the production cycle or fall due for payment within 12 months are classified as current assets. Other assets are classified as fixed assets. Liabilities which form part of the production cycle or fall due for payment within 12 months are classified as current liabilities. Other liabilities are classified as long-term.

Any proposed dividend is not capitalised as a liability until the Group has assumed an irrevocable obligation to pay the dividend, normally after it has been approved by the annual general meeting.

The next year's instalment on long-term debt is classified as a current liability.

Changes in the fair value of biological assets are presented on a separate line under operating profit/loss. Operating profit/loss is reported before fair value adjustment of the biomass in order to show the Group's underlying sales performance during the period.

#### Foreign currencies

The consolidated accounts are presented in Norwegian kroner (NOK), which is the Group's functional currency. All transactions in foreign currencies are translated into NOK at the time the transaction takes place. In the balance sheet, monetary items in foreign currencies are translated at the exchange rate in effect on the balance sheet date. Realised foreign exchange gains/ losses deriving from the settlement and translation of monetary items in foreign currencies at the rate in effect on the balance sheet date are taken to profit and loss.

The Group endeavours to hedge against fluctuations in the foreign exchange market by using forward con-

tracts. If the foreign currency position is deemed to represent cash hedging, ie the effective portion f the change in the fair value of derivatives earmarked and qualified as hedging instruments in a cash flow hedging scheme, gains and losses are recognised as part of the expanded profit and loss account. Gains and losses on the ineffective portion is recognised as a financial item in profit and loss. As at 31 December 2009 financial instruments in Volstad Seafood were recognised in the expanded profit and loss account.

The fair value of currency hedging instruments is calculated on the balance sheet day at the market price for contracts with a similar maturity profile. Changes in the fair value of such instruments are recognised in the profit and loss account as financial items when they do not meet the requirements for hedge accounting. Financial derivatives are classified as current assets or current liabilities in the balance sheet. Gains/losses on foreign exchange are classified as financial items.

The profit and loss account and balance sheet for group companies (none with hyperinflation) with a functional currency other than the presentation currency are translated thus:

- a) The balance sheet is translated at the exchange rate in effect on the balance sheet day.
- b) The profit and loss account is translated at the average exchange rate (if the average does not give generally reasonable estimate of the transaction rate, the actual transaction rate is used).
- c) Translation differences are recognised in the expanded profit and loss account and are specified as a separate item under equity.

Translation differences relating to net investments in non-Norwegian businesses and financial instruments designated as hedging instruments are recognised in the expanded profit and loss account and as a separate item under equity. In connection with the sale of all or part of a foreign business the associated translation difference is reclassified from the expanded profit and loss account to ordinary profit and loss as part of the gain/loss pursuant to the sale.

Goodwill and excess values deriving from the acquisition of foreign entities are treated as assets and liabilities in the acquired entity and are translated at the exchange rate in effect on the balance sheet day.

#### Intangible assets

Intangible assets that are purchased individually are capitalised at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalised at acquisition cost when the criteria for separate posting are met.

Intangible assets with a limited economic lifespan are depreciated systematically. Intangible assets are written down to their recoverable value if the expected financial benefits do not cover their book value and any remaining production costs.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalised when specific criteria are met. Capitalised R&D costs are recognised at acquisition cost less accumulated depreciation and write-downs. Capitalised R&D costs are depreciated in a straight line over the asset's estimate period of use.

Licences are capitalised at cost less accumulated write-downs. Licences are not depreciated since the rights they confer are not perpetual, but are tested annually for impairment. Any excess

value identified in connection with the acquisition of licence leasing agreements is capitalised as an intangible asset.

Prepaid leasing costs associated with partnership agreements are deemed to confer the right to use of an intangible asset and are classified as an intangible asset. Leasing costs are charged as expenses over the period of the lease.

When another business entity is taken over for a consideration that exceeds the value of the individual assets, the difference is entered as goodwill in the balance sheet. Goodwill deriving from the purchase of subsidiaries is included under intangible assets, while goodwill deriving from the acquisition of associated companies is included under shares in associated companies. Goodwill is entered at historic cost less accumulated depreciation up to 2004.

Goodwill is not depreciated (after 1 January 2005), but is tested annually for impairment, or more often if there are indications that its value is lower than book value. When assessing the need to write down goodwill, this is assigned to relevant cash flow-generating units or those groups which are expected to benefit from the acquisition. Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash flow-generating units to which the goodwill is assigned. To identify the Group's cash flow-generating units the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows for the next three years based on approved budgets and forecasts. Cash flows after three years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax which takes account of relevant market risk. If the calculated value in use is lower than the book value of the cash flow-generating unit, goodwill is written down first and then other assets as required.

#### Property, plant & equipment

Property, plant and equipment are capitalised at acquisition cost, less accumulated depreciation and write-downs. When assets are sold or divested, the book value is deducted and any loss or gain posted to profit and loss. Ordinary depreciation commences from the date on which the asset goes into normal operation, and is calculated on the basis of its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the asset, taking into consideration the estimated residual value. If an asset comprises significant components with varying lifespans, these components are depreciated separately. The scrap value of the property, plant and equipment, as well as the depreciation period and depreciation method employed, are reassessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facilities are ready for use.

If the situation or circumstances indicate that the book value of an asset cannot be recovered, an assessment is made about whether to write down its value. If the recoverable value of the asset is lower than the book value and the impairment is not expected to be temporary, the asset is written down to the recoverable value. The recoverable value is the higher of net sales price and value in use. Value in use is the present value of the future cash flows which the asset will generate. Assets which will no longer be used after the transition to the Group's new InnovaMar factory were written down in 2010.

#### **Financial instruments**

In accordance with IAS 39, financial instruments falling within its remit are classified in the following categories: fair value with changes in value posted to profit and loss, hold until maturity, loans and receivables, available for sale, and other liabilities.

#### Financial instruments at fair value in profit and loss

Financial instruments at fair value in profit and loss are financial assets held for trading purposes. A financial asset is classified in this category if it has been acquired primarily for the purpose of generating a gain from short-term price fluctuations. Derivatives are classified as being held for sale unless they are part of a hedging scheme. Assets in this category are classified as current assets.

Financial assets at fair value in profit and loss are recognised at fair value upon acquisition and the transaction costs charged as expenses. Following their initial capitalisation financial assets are recognised at fair value in profit and loss.

buying or selling in the short term are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognised at fair value with changes in value posted to profit & loss, alongside forward currency contracts which are recognised at fair value with changes in value posted to profit & loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not traded in an active market. They are classified as current assets unless they fall due for payment more than 12 months after the balance sheet date. Loans and receivables are presented in the balance sheet as trade receivables and other receivables, as well as cash and cash equivalents. Loans and receivables are capitalised initially at fair value plus transaction costs. In subsequent periods loans and receivables are valued at amortised cost using the effective interest method, less any losses deriving from impairment. Due to immaterial transaction costs and short credit times, amortised cost equals nominal value less provisions for bad debts.

#### Financial assets available for sale

Financial assets available for sale are non-derivative financial assets which have been placed in this category by choice or because they do not belong in any other category. They are classified as fixed assets unless the investment falls due or management does not intend to sell the investment less than 12 months after the balance sheet date. Financial assets available for sale are recognised at fair value including any changes in fair value apart from impairment loss, which are recognised in the expanded profit and loss account. When securities classified as available for sale are sold or written down, the entire change in value that has been recognised in the expanded profit and loss account is reclassified as a financial item and posted to ordinary profit and loss.

Financial assets and liabilities are offset and presented net in the balance sheet when an enforceable offsetting entitlement exists and there is an intention to settle net or realise the asset and settle the liability at the same time.

Derivatives are capitalised at fair value on the date the derivative contract was entered into, and thereafter at the fair value in effect in subsequent periods. The way associated gains or losses are accounted for depends on the extent to which the derivative is designated as a hedging instrument, and if so what kind of hedging instrument. The Group earmarks certain derivatives to one of the following hedging categories: (a) hedging of the fair value of an asset, liability or unrecognised binding pledge (fair value hedging) - changes in the fair value of derivatives which are earmarked and qualify as fair value hedging, and which are effective, are recognised in profit and loss together with the change in fair value of the hedged risk to the associated hedged asset or liability. Any gains or losses are recognised as financial items in profit and loss; (b) hedging of the variability of cash flows associated with a specific risk to a capitalised asset, liability or highly probable planned transaction (cash flow hedging) the effective portion of the change in the fair value of derivatives which are earmarked and qualify as cash flow hedging instruments is recognised directly in the expanded profit and loss account. Any gains and losses on the ineffective portion are recognised as financial items in profit and loss; (c) hedging of net investments in foreign businesses is recognised in the same way as cash flow hedging.

When hedging contracts are entered into the Group documents the connection between the hedging instruments and the hedged objects as well as the risk management strategy and purpose behind the various hedging transactions. The Group also documents its assessment of the extent to which the derivatives employed are effective in offsetting the changes in fair value or cash flows associated with the hedged objects. Such assessments are documented both at the start of the hedging contract and through the course of its duration.

The fair value of the derivatives used for hedging is presented in Note 9. The fair value of a hedging derivative is classified as a fixed asset or long-term liability if the remaining term of the hedged object is longer than 12 months. If the remaining term is less than 12 months it is classified as a current liability. Derivatives held for trading are classified as current assets or current liabilities.

#### Inventory

Inventory consists of feed, packaging materials, fry, live fish in the sea and processed fish. Stocks of feed, packaging materials, fry and processed fish are valued at the lower of cost and net realisation value (expected sales price less variable finishing and sales costs). The cost price of goods produced in-house is the full production cost. The FIFO principle is used in connection with the periodic assignment of inventory costs.

Live fish in the sea are recognised at fair value. Stocks of finished goods/frozen fish are valued at the lower of cost (fair value at harvesting) and net realisation value.

#### **Biomass**

Biological assets (biomass) comprise salmon fry/smolt and fish in the sea. In accordance with IAS 41 biological assets are normally recognised at their estimated fair value less sales and harvesting costs. The estimate of fair value is based on the reported sales price for harvested salmon of the same size, less estimated sales and transport costs. This results in a net value for the fish farmer. The value reflects the expected quality of the fish, and the fact that it is not of harvestable size. For smaller fish the production cost per kg may be higher than achieved prices per kg in the market. In this case cost price may be used for live salmon that are not yet harvestable, unless there exists an impairment requiring a write-down in value (further growth and sales price are not expected to meet production costs). The period immediately prior to harvesting makes estimating the fair value of not yet harvestable fish more uncertain than estimating the value of harvestable fish. See Note 9 for further information regarding the principles employed. See Note 11 for further details regarding the principles applied. In the profit and loss account production costs associated with sold fish are recognised under the cost of goods sold, while adjustments in other costs are recognised on a separate line as fair value adjustment of the biomass. With regard to the sale of fish obtained through acquisitions, those elements associated with the cost of production are recognised under the cost of goods sold, while those elements associated with an estimated fair value are recognised on a separate line in the profit & loss account, "excess value of inventory obtained through acquisitions". Biomass farmed as part of partnership agreements is treated or accounting purposes as the Group's own fish, since the Group bears the risk associated with farming the fish.

#### **Fixed-price contracts**

The Group enters into sales contracts for salmon products on an ongoing basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts are therefore not financial instruments under IAS 39. The contracts contain no built-in derivative elements.

#### Receivables

Trade receivable and other receivables are posted at face value less a provision for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned. Due to insignificant transaction costs and the short credit period, amortised cost is the same as face value less fore-seeable losses.

#### Share capital and share premium

Ordinary shares are classified as equity. Expenses deriving directly from the issue of new shares or tax-deductible options are recognised as a reduction in receipts of paid-in equity. If a group company purchases shares in the parent company, the consideration paid for such treasury shares, including any transaction costs – less tax – is recognised as a reduction in equity (allocated to the parent company's shareholders) until the shares are cancelled or resold. If treasury shares are subsequently sold, the consideration received, less direct marginal transaction costs and associated tax effects, is recognised as an increase in equity allocated to the parent company's shareholders.

#### Debt

Loans are recognised at fair value when the sum of the loan is received, less transaction costs. In subsequent periods loans are recognised at amortised cost calculated using the effective interest rate. The difference between the sum of the loan received (less transaction costs) and the redemption value is recognised in profit and loss over the term of the loan under effective interest. Borrowing costs are charged to expenses as they arise.

#### Tax

The tax expense is matched against the profit/loss before tax and comprises tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Tax is recognised in profit and loss unless it refers to items which are posted in the expanded profit and loss account or are taken directly to equity. In this case tax is included in the net amount posted in the expanded profit and loss account or taken directly to equity.

Tax payable for the period is calculated in accordance with the tax legislation and regulations issued, or largely issued, by the tax authorities on the balance sheet date.

Deferred tax in the balance sheet is a nominal amount calculated on the basis of temporary differences between accounting and tax values, as well as the taxable loss carried forward at the end of the financial year.

Deferred tax is calculated on the difference between the accounting and taxable values of licences.

Deferred tax assets and liabilities are presented net in the balance sheet.

#### Pensions

The net pension costs for the period are included under salaries and payroll costs. Pensions are recognised on the basis of a linear accrual profile and expected final salary. Changes in plan and estimate differences are amortised over the expected remaining accrual period.

In connection with the transition to IFRS, the Group made use of a permitted option to charge accumulated estimate differences to equity as of 1 January 2005. Employers' national insurance contributions are included in the figures.

The Group switched from a defined-benefits to a defined-contribution pension scheme with effect from May 2006. Any effects deriving from the change were posted to profit and loss. Pension premiums payable in connection with the defined contribution scheme are charged to expenses as they accrue. The Group has no other liability over and above the annual payment.

#### **Share-based incentives**

The Group operates a share-based incentive scheme in which the companies receive services from the employees in return for equity instruments (options) in the Group. The fair value of the services the entities received from employees in return for the options

granted is recognised as a cost in profit and loss. The fair value of share options is set on the date they are granted, using accepted valuation models adapted to the characteristics of the options in question. The value of the options thus set is posted to profit and loss periodically over the option's accrual period, with a corresponding increase in paid-in equity. The accrual period is the period from the establishment of the scheme until the options are fully accrued.

#### **Provisions**

A provision is recognised when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and that the amount in question can be reliably quantified. Provisions are reviewed on each balance sheet date, and the level reflects the best estimate for the liability.

#### Leasing contracts

Operating assets which are leased on terms which transfer the bulk of the financial risk and control to the company (financial leasing) are recorded in the balance sheet as property, plant and equipment, and the corresponding leasing liability is included under long-term liabilities at the present value of the leasing payments. The asset is depreciated as scheduled and the liability is reduced by the amount of lease paid, less a calculated interest cost. The depreciation period is consistent with similar assets which are owned by the Group, or shorter if the leasing period is shorter. Leasing payments with respect to operational leasing agreements are classified as operating expenses and are posted to profit and loss in a straight line over the term of the contract.

#### Events after the balance sheet date

New information regarding the company's financial position on the balance sheet date which is received after the balance sheet date has been recognised in the annual accounts. Events after the balance sheet date which do not affect the company's financial position on the balance sheet date, but which will affect the company's future financial position are reported if material.

#### Statement of cash flow

The Group's statement of cash flow shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on liquid assets. The cash flow deriving from the acquisition and sale of businesses is presented under investin

# NOTE 2 - FINANCIAL RISK MANAGEMENT

#### Financial risk

Through its activities the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The company's management assesses these risks on an ongoing basis and draws up guidelines for dealing with them. The Group makes use of financial derivatives to hedge against certain risks.

The Group has bank loans raised for the purpose of providing capital for investment in the company's business. In addition, the company has financial instruments such as trade receivables, trade payables, etc, which are ascribable directly to day-to-day business operations. For hedging purposes the company has certain forward currency contracts.

The company does not make use of financial instruments, including financial derivatives, for the purpose of speculation.

#### Market risk

Interest rate risk

Since the Group has no material interest-bearing assets its profit and loss and cash flow from operating activities are largely independent of changes in market rates.

The Group's interest rate risk derives from long-term loans. Borrowing at floating interest rates represents an interest rate risk for the Group's cash flow, which is partly reduced by the opposite effect on cash equivalents which earn floating interest. Fixed-rate loans expose the Group to fair value interest rate risk. The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates. Loans are capitalised at amortised cost, since the difference between amortised cost and fair value is negligible.

Given the financial instruments in effect on 31 December 2009, a 0.5% rise in the rate of interest would reduce the Group's profit by NOK 4,079,000 (NOK 5,021,000 in 2008), all other variables constant.

#### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk in several currencies. This risk is particularly relevant with respect to the USD, EUR and IPY. Foreign exchange risk arises from future trading transactions, capitalised assets and liabilities, and net investments in foreign business operations. Revenues and assets denominated in foreign currencies are partly hedged through the use of forward contracts. and currency accounts. Currency exposure relating to operations is, however, limited by the fact that the purchase of input factors and the sale of products takes place largely in NOK. The use of forward currency contracts is described in Note 9. Given the financial instruments in effect on 31 December 2009, a 5% fall in the value of NOK would increase the Group's profit by NOK 5,965,000 (NOK 5,965,000 in 2008).

#### Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered low, since, historically, losses due to bad debts have been small. The Group has no material credit risk relating to individual counterparties or counterparties which may be considered a group due to similarities in the credit risk. The Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems, and that outstanding balances do not exceed fixed credit limits. Part of the total accounts receivable is insured. The gross credit risk on the balance sheet date corresponds to the Group's receivables portfolio on the balance sheet date. See Note 10.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are drawn up on a regular basis and the Accounts Dept monitors rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times maintaining adequate flexibility in the form of unused credit facilities (see Statement of Cash Flow), such that the Group does not infringe borrowing limits or specific borrowing conditions (if relevant). The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. See Note 14 for details of the Group's available credit facilities.

The table below details the Group's non-derivative financial liabilities and derivative financial liabilities to be settled net, classified by maturity structure. The classification is determined with respect to the maturity date stipulated in the contract. Derivative financial liabilities are included in the analysis when the maturity date in the contract is important for an understanding of the periodisation of cash flows. The figures presented in the table are undiscounted contractual cash flows.

		REMAINING TER	M		
31.12.2009	1-3 months	3-12 months	1-5 years	5 years +	Total
Interest-bearing bank loans Other liabilities Trade payables	9 025 4 257 204 394	27 075 12 771	144 400 51 040	598 671 -	779 171 68 069 204 394
31.12.2008 Interest-bearing bank loans Other liabilities Trade payables	9 025 3 766 133 022	27 075 11 299	144 400 50 699	610 771	791 271 65 764 133 022

#### Capital structure and equity

The objective of the Group's capital management is to safeguard the Group's continued operations by ensuring the return on investment for shareholders and other stakeholders, and maintaining an optimal structure for reducing capital costs. By ensuring a good debt-to-equity ratio the Group will support its business operations, and thereby maximise the value of the Group's shares.

The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates, and its short and medium-term outlook, including any adjustment in dividend payouts, buyback of own shares, capital reduction or issue of new shares. No changes were made in the guidelines covering this area in 2009. As at 31 Dec 2009 the Group had an equity ratio of 47.9% (42.9% as at 31 Dec 2008).

#### Assessment of fair value

With effect from 1 January 2009 the Group has implemented the changes in IFRS 7 relating to financial instruments measured at fair value on the balance sheet date. The changes require the presentation of fair value measured according to the following scale:

- Quoted price in an active market for an identical asset or liability (level 1)
- Valuation based on observable factors, either direct (price) or indirect (deduced from price), other than a quoted price (used in level 1) for the asset or liability concerned (level 1)
- Valuation based on factors which are not derived from observable markets (non-observable assumptions) (level 3)

The table below presents the Group's assets and liabilities measured at fair value as at 31 Dec 2009.

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	-	-	-
- Securities held for trading	-	-	-	-
Derivatives used for hedging	-	9 452	-	9 452
Financial assets available for sale				
- Equity instruments			1 025	1 025
- Debt instruments	-	-	-	-
TOTAL assets	-	9 452	1 025	10 478
Liabilities				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	-	-	-
Derivatives used for hedging	_	-		-
TOTAL liablities	-	-	-	

Real value of accounts receivable, accounts payable and debt is very close to book value. The group has floating interest levels set to equal market rate on balance sheet date. See note 14 for further description of interest terms.

### NOTE 3 - SEGMENT INFORMATION AND GEOGRAPHIC BREAKDOWN

Operating segments are reported in the same way as for internal reporting to the chief operating decision-maker. The company's highest decision-making body, which is responsible for allocating resources to and evaluating the earnings of the operating segments, is defined as group management. Internal reporting is drawn up on the basis that the Group has one business activity, the farming of salmon and trout. The Group has production facilities in central and northern Norway. The Group's segment reporting is therefore divided geographically based on production location.

Group management evaluates the segments' performance on the basis of operating profit before fair value adjustment of the biomass.

Depreciation and the realisation of excess value from tangible and intangible assets deriving from acquisitions are not allocated to the segments. Costs relating to employee options and the results of the subsidiary SalMar Japan K.K are also included in the column for eliminations.

Sales between segments are carried out in accordance with the arm's length principle. When revenues from external parties are reported to group management they are measured in accordance with their measurement in profit and loss.

Sums reported to group management as total assets are evaluated in the same way as in the annual financial statements. Assets are allocated on the basis of segment operations, as well as the asset's physical location. The Group's investments in associated companies are largely independent of geographical production and are not counted as segment assets.

Total liabilities are reported to group management and are evaluated in the same way as in the annual financial statements. These liabilities are allocated on the basis of segment operations.

NOK 1000	Central Norway	Northern Norway	Other/ eliminations	Group
External operating revenues	2 200 581	-	176 724	2 377 305
Internal operating revenues	137 056	401 664	-538 720	
TOTAL operating revenues	2 337 637	401 664	-361 996	2 377 305
Depreciation	50 414	15 616	548	66 578
Write-downs	6 600	-	5 000	11 600
Operating costs	1 773 507	299 750	-358 889	1 714 368
Operating profit bef. fair value adj. biomass	507 116	86 298	-8 655	584 759
Fair value adjustment of the biomass	11 372	-15 996	-	-4 624
Operating profit	518 488	70 302	-8 655	580 135
Profit/loss from associated companies	=	-	56 769	56 769
Net financial items	6 647	-9 471	23	-2 801
Profit before tax	525 135	60 831	48 136	634 102
Tax	146 467	17 038	-288	163 217
Net profit	378 668	43 793	48 424	470 885
Assets	2 310 146	936 143	304 046	3 550 336
- Investments in associated companies	22 772	-	245 736	268 508
Liabilities	1 378 444	415 760	56 327	1 850 531
Investments				
- Tangible operating assets	187 361	39 766	0	227 127
- Intangible operating assets	35 527	0	0	35 527
Depreciation	50 414	15 616	548	66 578

NOK 1000	Central Norway	Northern Norway	Other/ eliminations	Group
External operating revenues	1 685 180	9 6 5 1	19 426	1 714 256
Internal operating revenues	16 436	265 383	-281 820	-
TOTAL operating revenues	1 701 616	275 034	-262 394	1 714 256
Depreciation	43 763	12 268	-806	55 225
Operating costs	1 335 775	230 385	-244 592	1 321 568
Operating profit bef. fair value adj. biomass	322 078	32 381	-16 996	337 463
Fair value adjustment of the biomass	-48 126	13 891	1 239	-32 996
Operating profit	273 952	46 272	-15 757	304 467
Profit/loss from associated companies	-	-	12 248	12 248
Net financial items	-61 613	-19 060	-1 339	-82 012
Profit before tax	212 339	27 212	-4 848	234 703
Tax	59 536	6 284	54	65 874
Net profit	152 803	20 928	-4 902	168 829
Assets	1 962 933	807 886	297 539	3 068 359
- Investments in associated companies	103	-	257 512	257 615
Liabilities	1 217 986	496 741	38 520	1 753 247
Investments				
- Tangible operating assets	108 509	25 227	0	133 737
- Intangible operating assets	40 200	56 738	0	96 938
Depreciation	43 763	12 268	-806	55 225

# NOTE 4 - INTANGIBLE ASSETS

			Other	
NOK 1000	Licences	Goodwill	intangible assets	Total
Acquisition cost 1 Jan 08	845 178	215 322	0	1 060 500
Additions from mergers	96 938	0	0	96 938
Disposals	28 000	0	0	28 000
Aquisition cost 31 Dec 08	914 116	215 322	0	1 129 438
Additions	24 000	8 527	3 000	35 527
Disposals	0	0	0	0
Acquisition cost 31 Dec 09	938 116	223 848	3 000	1 164 965
Acc. dep & write-downs 1 Jan 08	0	17 357	0	17 357
Year's depreciation	0	0	0	0
Year's write-downs	0	0	0	0
Reversed depreciation	0	-1 033	0	-1 033
Acc. dep & write downs 31 Dec 08	0	18 390	0	18 390
Year's depreciation	0	0	200	200
Year's write-downs	5 000	0	0	5 000
Reversed depreciation before 1 Jan 05	0	0	0	0
Acc. dep & write-downs 31 Dec 09	5 000	18 390	200	23 590
of which acc. write-downs at 31 Dec 09	0	0	0	0
Book value 31 Dec 09	933 116	205 458	2 800	1 141 374
Book value 31 Dec 08	914 116	196 932	0	1 111 048
Book value 1 Jan 08	845 178	197 965	0	1 043 143

The book value of the broodfish licence in the Northern Norway segment was written down to NOK 0 after the brood fish licence was revoked at the start of the year.

Salmon farming licences NOK 1000	No. of licences	Acquisition cost	Book value 31.12.09
Northern Norway	13	409 620	404 620
Central Norway	43	528 496	528 496
	56	938 116	933 116

The Group has joint operating agreements linked to 7 additional licences.

Goodwill NOK 1000	Year of acquisition	Acquisition cost	Book value 31.12.09
Northern Norway	2006	95 114	95 114
Central Norway	1999-2009	116811	110 344
		211 925	205 458

Following the implementation of IFRS goodwill is no longer depreciated, but is assessed for impairment annually, or more frequently if there are indications that a write-down may be necessary. The difference between acquisition cost and the book value of goodwill is due to the depreciation of goodwill before the implementation of IFRS. Other acquired goodwill, which was written down to NOK 0 before 2005, has an acquisition cost of NOK 14,505,420.

#### Impairment test

On acquisition goodwill and intangible assets are assigned to the cash-flow generating units within the Group to which they are associated.

The book value of the cash-flow generating units is tested for impairment annually, or more frequently if there are indications that a write-down may be necessary. The estimated value in use is employed to calculate the recoverable value. A write-down is performed if the book value is lower than the recoverable value.

Future net cash flows are estimated on the basis of the Group's budget and forecasts for the next three years. No growth is assumed when calculating the terminal value. Value in use is calculated on the basis of a 9.3% return on investment. As with all estimates, cash flow forecasts are sensitive to changes in underlying assumptions.

Estimated value in use will be affected most strongly by the following assumptions:

- Discount rate
- Salmon price
- Production costs
- Future output levels

Discount rate: the discount rate used reflects management's estimate of the risk specified for each cash-flow generating unit. The discount rate is set using the 3-year government bond rate in effect at the time of the assessment. The discount rate is pre tax.

Salmon price: the price of salmon is estimated on the basis of the long-term price level that experience would indicate for those markets in which the fish is sold and lies within the interval NOK 28-31 per kg gutted salmon.

Production costs: production costs are estimated on the basis of historical figures, known changes taken into account.

Future output levels: future output levels are estimated on the basis of current production, adjusted for expected increases in future output given current licences.

The assessment is based on a comparison of the present value of estimated future cash flows and book value per investment. Sensitivity analyses are also carried out to assess estimated present values by looking at the change in salmon prices, production costs and discount rates.

The Group continuously monitors its financial performance with respect to the long-term assumptions used to determine whether the assumptions in the basic model are still valid.

The impairment test resulted in no requirement to write down the book value of fish farming licences and goodwill as at 31 December 2009.

NOTE 5 - PROPERTY, PLANT & EQUIPMENT

NOK 1000	Land, buildings, & other real property	Plant, operating equipment & consum- ables, etc	Vessels & other operating assets	TOTAL	of which leased operating assets
Acquisition cost 1 Jan 08	97 127	455 053	28 375	580 555	124 720
Additions	15 897	102 327	15 513	133 737	7 478
Additions subsidiaries	0	0	0	0	0
Disposals	929	10 386	109	11 423	2 570
Acquisition cost 31 Dec 08	112 096	546 994	43 779	702 869	129 629
Additions	39 822	186 600	705	227 127	26 138
Additions subsidiaries	0	1 465	0	1 465	0
Disposals	598	41 506	1 027	43 131	0
Acquisition cost 31 Dec 09	151 320	693 553	43 457	888 330	155 767
Acc. dep. & write-downs 1 Jan 08	38 785	181 485	12 063	232 333	26 168
Acc. dep acquired subsidiaries	0	0	0	0	0
Years depreciation 2008	7 032	45 743	2 451	55 225	12874
Year's write-downs	0	0	0	0	0
Reversed depreciation	585	80	109	774	0
Acc. dep. & write-downs 31 Dec 08	45 232	227 147	14 405	286 785	39 042
Acc. dep acquired subsidiaries	0	771	0	771	0
Year's depreciation 2009	8 035	55 057	3 286	66 378	12 805
Year's write-downs	0	6 600	0	6 600	0
Reversed depreciation	4 572	0	918	5 490	0
Acc. dep. & w-d 31 Dec 09	48 695	289 575	16 773	355 044	51 847
of which acc. d & w-d 31 Dec 09	0	0	0	0	0
Book value 31 Dec 09	102 624	403 979	26 684	533 286	103 919
Book value31 Dec 08	66 864	319 847	29 374	416 085	90 587
Book value 1 Jan 08	58 342	273 569	16 311	348 222	98 552
Gain/loss on sale of fixed assets	8	1 351	16	1 375	
Ann. rental non-cap. op. assets	8 288	1 034	0	9 322	
Economic life	0-20 years	3-10 years	5-15 years		
Depreciation plan	Straight-line	Straight-line	Straight-line		

Capitalised leasing liabilities as at 31 December 2009 totalled NOK 68,068,554.

# NOTE 6 - SUBSIDIARIES, ASSOCIATED COMPANIES, ETC

NOK 1000	Consolidated (yes/no)	Registered office	Voting share/ shareholding	Book value in SalMar ASA
Follasmolt AS	YES	Kverva	100 %	20 280
Langsteinfisk AS	YES	Kverva	60 %	0
Straumsnes Settefisk AS	YES	Kverva	100 %	0
SalMar Farming AS	YES	Kverva	100 %	84 368
SalMar Nord AS	YES	Senja	100 %	314 946
Troms Stamfiskstasjon AS	YES	Senja	100 %	0
Straumen Havbruk AS	YES	Senja	100 %	0
SalMar Processing AS	YES	Kverva	100 %	5 933
Volstad Seafood AS	YES	Ålesund	100 %	14 104
Astamarin AS	YES	Kverva	100 %	5 0 1 5
SalMar Japan KK	YES	Japan	100 %	0
SalMar-Tunet AS	YES	Kverva	100 %	7 000
TOTAL subsidiaries				451 646
Norskott Havbruk AS	NO	Bergen	50 %	162 787
Nordskag Næringspark AS	NO	Kverva	43 %	23 375
Trøndersk Kystkompetanse AS	NO	Dyrvik	20 %	103
TOTAL associated companies				186 265

#### Acquisition of subsidiaries in 2009

The figures used in the analysis of excess value are partly based on best estimates and experience, and the underlying assumptions are verified through operations in the subsequent period. Thus, the analyses of excess value must be seen as provisional under IFRS 3.

The following material acquisitions were made during the year. All company acquisitions are recognised in accordance with the acquisition method.

NOK 1000	Acquisition date	Acquisition cost
Volstad Seafood AS (66%)	01.12.2009	7 866

With effect from 1 Dec 2009 SalMar ASA acquired 66% of the shares in Volstad Seafood AS, a transaction which brought SalMar ASA's shareholding in the company to 100%.

The effects on the balance	Volstad Seafood AS	Volstad Seafood AS
sheet was as follows:	book value	fair value
Intangible assets	81	8 608
Property, plant & equipment	724	724
Financial assets	-	-
Current assets	84 977	84 977
Liabilities	-	-
Interest-bearing debt	-9 204	-9 204
Other current liabilities	-71 001	-71 001
Net identifiable assets and liabilities	5 577	14 104
Goodwill from acqusition		8 527

Following the acquisition Volstad Seafood AS caused a net change in operating profit before fair value adjustment of the biomass of NOK 1,000,000 and a change in sales revenues of NOK 52,000,000.

#### Acquisition of subsidiaries in 2008

During 2008 the SalMar Group acquired shares in Straumen Havbruk AS, consolidating them from the month of takeover. Takeover occurred with efect from 29 July 2008. The total acquisition cost for the shares was NOK 63,985, of which NOK 122,000 were acquisition costs. At the time over takeover the company's assets were limited to two licences and monetary items, and the acquisition was therefore recognised as an asset acquisition and not a business acquisition. See Note 4 above for further details. One of the acquired licences has subsequently been sold.

#### Adjustment of previous allocations:

In 2008 a reallocation of the fair value of assets and liabilities at the time of acquisition was performed with respect to the treatment of deferred tax on licences. This resulted in a reclassification from licences to goodwill, such that the value of the licences is reduced by NOK 164.2 million, while the value of goodwill increases by NOK 128.8 million. The NOK 35.3 million difference reduced the Group's equity as a result of stepwise acquisition. The reallocation led to changes in comparable figures in the balance sheet. The reallocation had no impact on profit & loss.

NOK 1000

NUK TUUU					
Companies recognised using the equity method	Norskott Havbruk AS	Trøndersk Kyst- kompetanse	Nordskag Næringspark	Volstad Seafood AS	TOTAL
Type of company	AS	AS	AS	AS	
Original acquisition cost	162 826	103	23 375	6 238	192 541
Share of capitalised equity					
at acquisition	162 826	100	23 375	1 237	187 537
Attributable excess value	0	0	0	0	0
Goodwill	0	0	0	5 001	5 001
Opening balance 1 Jan 09	254 193	103	0	3 320	257 616
- of which undep. excess value	0	0	0	0	0
- of which undep. goodwill	0	0	0	5 001	5 001
Purchase of shares/investments	0	0	23 375	0	23 375
Share of net profit/loss	56 928	0	0	-159	56 769
Depreciation of excess value	0	0	0	0	0
Depreciation of goodwill	0	0	0	0	0
Translation differences	-20 384	0	0	0	-20 384
Direct equity items	0	0	0	4 076	4 076
Sale of assets	0	0	0	0	0
Gains from downstream sales	0	0	-706	0	-706
Dividend received	-45 000	0	0	0	-45 000
Transition to subsidiary	0	0	0	-7 237	-7 237
Closing balance 31 Dec 09	245 738	103	22 669	0	268 508

None of the associated companies' shares are publicly listed. Revenues from associated companies are recognised on a separate line in profit and loss as the Group's share of net profit. The table below shows key figures for material investments which were still held at the close of the year.

	Operating	Total assets	Total liabilities	Net profit
	revenues 2009	31.12.2009	31.12.09	2009
Norskott Havbruk	922 078	1 159 303	667 746	113 856
Nordskag næringspark	0	105 260	50 160	-42

# NOTE 7 - FINANCIAL INSTRUMENTS BY CATEGORY

The following principles for subsequent measurement of financial instruments has been applied to all financial instruments in the balance sheet:

NOK 1000

As at 31 Dec 2009 Assets	Loans and receivables	Assets at fair value in profit and loss	Derivatives used for hedging purposes	Available for sale	TOTAL
Financial assets					
available for sale	-	-	-	1 025	1 025
Derivatives	-	7 784	1 669	-	9 452
Trade and other receivables	306 199	-	-	-	306 199
Financial assets at fair value					
in profit and loss	-	-	-	-	-
Cash & cash equivalents	148 424	-	-	-	148 424
Total	454 623	7 784	1 669	1 025	465 101

As at 31 Dec 2009 Liabilities	Liabilities at fair value in profit and loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	TOTAL
			064145	064145
Loans	-	-	864 145	864 145
Financial leasing contracts	-	-	68 070	68 070
Derivatives	-	-	-	-
Trade and other payables,				
ex statutory liabilities	-	-	267 731	267 731
TOTAL	-	=	1 199 946	1 199 946

As at 31 Dec 2008 Assets	Loans and receivables	Assets at fair value in profit and loss	Derivatives used for hedging purposes	Available for sale	TOTAL
Financial assets available					
for sale	-	-	-	975	975
Derivatives	-	-	-	-	-
Trade and other receivables	173 751	-	-	-	173 751
Financial assets at fair value					
in profit and loss	-	-	-	-	-
Cash & cash equivalents	23 541	-	-	-	23 541
Total	197 292	-	-	975	198 267

As at 31 Dec 2008 Liabilities	Liabilities at fair value in profit and loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	TOTAL
Loans	-	-	942 170	942 170
Financial leasing contracts	-	-	65 764	65 764
Derivatives	-21 540	-	-	-21 540
Trade and other payables, ex statutory liabilities	-	-	211 996	211 996
TOTAL	-21 540	-	1 219 930	1 198 390

# NOTE $8 \, \neg$ financial assets available for sale

Shares in other companies		Book value	Book value
NOK 1000	Shareholding	2009	2008
I.B.F AS	30,30 %*	46	46
Akva Kompetanse AS	33,40 %*	175	175
Wibstad Transport AS	10,57 %	117	67
Senja Fiskehelsetjeneste AS	40,90 %*	95	95
Aqua Gen AS	0,66 %	281	281
Aqua Service AS	25,00 %*	203	203
Other shares		110	110
Total		1 025	975

Shares in other companies are classified as available for sale. Investments in other companies are measured at cost when fair value cannot be reliably measured.

### NOTE 9 - DERIVATIVES

The table below shows the company's forward currency contracts as at 31 Dec 2009. All contracts relate to the sale of foreign currencies agains NOK. Forward contracts are entered into to maximise coverage of the foreign exchange risk on outstanding trade receivables and sales contracts. Forward currency contracts are recognised at fair value in the balance sheet. The rules for hedging accounting are used only for forward contracts in Volstad Seafood AS.

						Book value/ fair value
Product	Туре	Currency	Amount	Term	Rate interval	TNOK
Forward	Sale	EUR	2 430	4.1.10-31.8.10	8,545-9,132	1 563
Forward	Sale	JPY	936 000	20.1.10-21.9.10	0,063489-0,07083	4 994
Forward	Sale	GBP	140	1.1.10-31.3.10	9,3965-9,48	10
Forward	Sale	USD	17 001	6.1.10-31.3.10	5,567-5,885	2 886
Total						9 452

# NOTE 10 $\neg$ receivables, provisions for bad debts

The Group's receivables are valued at amortised cost. Receivables in foreign currencies are valued at the daily rate.

NOK 1000	2009	2008
Trade receivables	252 891	149 682
Provisions for bad debts	-736	-1 086
Other short-term receivables	73 163	33 604
Parent company receivables	84	552
Other long-term receivables	17 623	7 122
Total	343 024	189 874
Prepaid costs included under "Other short-term receivables"	36 825	16 123
VAT refunds included under "Other short-term receivables"	34 966	16 603
Receiv. falling due more than 1 year hence included under "Other long-term receiv."	11 610	3 61 1
Pension fund assets included under "Other long-term receivables"	4719	1 835

<sup>\*</sup> Not treated as an associated company on the basis of materiality.

Bad debts are classified as other operating costs in profit and loss. The change in provisions for bad debts breaks down as follows:

NOK 1000	2009	2008
Opening halance	1 086	560
Opening balance Provisions for bad debts	200	529
Actual bad debts	-130	-525
Reversal of previous provisions	-130 -700	-545 -3
Change in provisions for bad debts due to acquisition/sale of businesses	150	-5 O
Closing balance	736	1.086
כוספוו ופ ממומו וכב	7 30	1 000

Credit and foreign exchange risks relating to trade receivables are discussed in more detail in Note 2.

As at 31 Dec the company had the following due but as yet unpaid trade receivables:

	Total	Not due	<30 d	30-60d	60-90d	>90d
2009	252 891	218 918	29 609	3 102	493	769
2008	149 682	122 336	21 362	2 267	101	3 6 1 6

### NOTE 11 - INVENTORY AND BIOLOGICAL ASSETS

NOK 1000	2009	2008
Raw materials	26 050	30 762
Goods in progress (entirely biological assets)	1 011 518	971 454
Finished goods	77 126	67 006
Total	1 114 694	1 069 222

Raw materials consist largely of feed for smolt and farmed fish. In addition, it includes raw materials used in processing as well as packaging. Stocks of biological assets are associated with SalMar's fish farming activities on land and in the sea. Finished goods comprise fresh and frozen whole salmon, as well as processed salmon products.

#### Biological assets in more detail

The way live fish are accounted for is governed by IAS 41 Agriculture. IAS 41 contains a method hierarchy for the valuation of biological assets for accounting purposes. The prime rule is that such assets shall be reported at fair value.

Fish in the sea (the biomass) with a live weight exceeding 4 kg on the balance sheet date are valued in the same way as fish that could be ready for harvesting. For fish weighing more than 4 kg live weight there is an active market for harvested salmon. This portion of the biomass is considered to be an asset of the same type as harvestable fish. Fair value of the biomass is calculated using the market price on the balance sheet date for the weight category concerned, adjusted for sales costs including harvesting costs and wastage. Adjustments are made in the market price for quality differences.

SalMar is of the opinion that an active market for fish which are not harvestable, ie fish in the sea with a live weight of less than 4 kg, does not exist. This fish is not ready for commercial harvesting. For this reason the fair value of unharvestable fish is calculated using the fair value of harvestable fish on the balance sheet date, adjusted for sales costs. Further adjustments are made to reflect the fact that the fish in their current state are not harvestable. This adjustment is made on the basis of the fish's relative size compared with harvestable fish. If fair value adjustments bring the value of the fish below self-cost, the biomass is valued at self-cost, unless a write-down is needed. Write-downs are performed if the actual net sales price is lower than accumulated cost price.

Smolt are valued at self-cost.

NOK 1000	2009	2008
Biological assets 1 Jan	971 454	905 675
Increase due to production/purchase	1 462 118	1 290 383
Increase due to acquisitions	0	0
Reduction due to sale/harvesting	-1 416 774	-1 191 607
Fair value adjustment 1 Jan (reversed)	-217 454	-250 450
Fair value adjustment 31 Dec (new)	212 174	217 454
Biological assets 31 Dec	1 011 518	971 454
Biomass fish < 4 kg live weight (tonnes)	25 710	26 516
Biomass fish > 4 kg live weight (tonnes)	17018	14821
Change in fair value fish < 4 kg live weight (NOK 1 000)	73 492	89 875
Change in fair value fish > 4 kg live weight (NOK 1 000)	138 682	127 580
TOTAL change in fair value of biological assets (NOK 1 000)	212 174	217 455
Cost price biological assets (NOK 1 000)	799 344	754 000
Book value of biological assets (NOK1 000)	1 011 518	971 454

### NOTE 12 - BANK DEPOSITS

As at 31 Dec 2009 the item Bank deposits, cash & cash equivalents includes NOK 14,162,000 in restricted employees' tax deductions. The corresponding figure for 2008 was NOK 10,361,000.

# NOTE 13 - SHARE CAPITAL AND SHAREHOLDERS

As at 31 Dec 2009 the parent company's share capital comprised:

NOK 1000	No. of shares	Face value	Book value
Ordinary shares	103 000 000	0,25	25 750
Ownership structure			
As at 31 Dec 2009 the company's 20 largest shareholders we	re:		
	No. of shares	Shareholding	Voting share
Kverva AS	55 000 000	53,40 %	54,13 %
Folketrygdfondet	8 083 137	7,85 %	7,96 %
JPMorgan Chase Bank	6 995 840	6,79 %	6,89 %
Odin Norge	5 027 550	4,88 %	4,95 %
Pareto Aksje Norge	4 342 250	4,22 %	4,27 %
LIN AS	2 500 000	2,43 %	2,46 %
Odin Norden	2 411 492	2,34 %	2,37 %
Pareto Aktiv	2 201 400	2,14 %	2,17 %
SalMar ASA	1 400 000	1,36 %	0,00 %
Centra Klaveness	735 000	0,71 %	0,72 %
Holberg Norge	645 200	0,63 %	0,64 %
Pareto Verdi VPF	600 800	0,58 %	0,59 %
DnB NOR Norge (IV) VPF	564 549	0,55 %	0,56 %
Vital Forsikring ASA	529 988	0,51 %	0,52 %
Forsvarets personell	418 600	0,41 %	0,41 %
Holberg Norden	406 228	0,39 %	0,40 %
DnB NOR SMB VPF	280 000	0,27 %	0,28 %
Alfred Berg Norge + VPF	244 800	0,24 %	0,24 %
BKK Pensjonskasse	233 200	0,23 %	0,23 %
Storebrand Livsforsikring P980	214 931	0,21 %	0,21 %
Total 20 largest shareholders	92 834 965	90,13 %	90,00 %
Total other shareholders	10 165 035	9,87 %	10,00 %
Total no. of shares	103 000 000	100,00 %	100,00 %

#### Shares owned by board members and the CEO:

Name	Office	No. of shares	Share-holding	Voting Share
D: Cl-+-2 *	D	2052411	1.00.0/	2 0 2 0/
Bjørn Flatgård *	Board Chair	2 052 411	1,99 %	2,02%
Gustav Witzøe **	Director	52 497 589	51,41 %	52,11%
Synnøve G. Ervik	Director	1 000	0,00 %	0,00%
Marit Rolseth	Director	600	0,00 %	2,37%
Leif Inge Nordhammer ***	CEO	2 500 000	2,43 %	2,46%

<sup>\*</sup> indirect ownership through family company GloMar AS, which owns shares in the Kverva Group. Adjustet for own shares in Kverva AS

The board has been authorised to raise the share capital by up to NOK 7,500,000 by issuing up to 30,000,000 shares. The board's authorisation is valid until the 2010 AGM, or 30 June 2010 at the latest. The board is further authorised to buy back the company's own shares to a face value totalling NOK 2,425,000. The board's

authorisation is valid until the 2010 AGM, or 30 June 2010 at the latest. The authorisation was exercised on 21 August 2009 to acquire 800,000 shares at a face value of NOK 200,000 at a price per share of NOK 44.

#### Dividend

The board has proposed a dividend of NOK 2.20 per share. If the AGM approves the proposed dividend, this will result in a total payout of NOK 223.520,000 (net of own shares). The proposed dividend has not been recognised as a liability as at 31 December 2009.

### NOTE 14 - INTEREST-BEARING DEBT

#### NOK 1000

Long-term interest-bearing debt	2009	2008
Debt to credit institutions	779 171	791 271
Next year's instalments on long-term debt	-33 100	-33 100
Leasing liabilities	68 070	65 764
Other long-term debt	0	0
Total long-term interest-bearing debt at 31 Dec	814 141	823 935
Short-term interest-bearing debt		
Debt to credit institutions	84 973	150 899
Debt to parent company (Kverva AS)		0
Next year's instalments on long-term debt	3 100	33 100
Total short-term interest-bearing debt at 31 Dec	118 073	183 999
Total interest-bearing debt	932 214	1 007 934
Cash & cash equivalents	148 424	23 541
Net interest-bearing debt	783 790	984 393

<sup>\*\*</sup> indirect ownership through the Kverva Group's parent company; includes shares owned by comp. controlled by CRPs. Adjustet for own shares in Kverva AS

<sup>\*\*\*</sup> indirect ownership through LIN AS.

#### Interest-bearing debt in more detail

SalMar ASA's main source of financing is a framework loan agreement of up to NOK 1,484 million, which was established in 2006/2008. As at 31 December 2008, NOK 607 million had been drawn on this facility. The loan agreement is divided into four tranches. Tranche A, with a balance of NOK 170 million, is interest-only and matures in five years. As at 31 December 2009 no amount had been drawn on Tranche B, a NOK 200 million revolving drawing facility. Tranche C, with a balance of NOK 108 million, is repayable over seven years. Tranche D, with a balance of NOK 329 million, has a 20-year instalment profile with final maturity in five years. Interest and instalments are paid quarterly. Interest terms are based on so-called "current terms" relating to NIBOR and a margin depending on the ratio between the Group's EBITDA and NIBD. This financing covers all companies within the SalMar Central Norway segment, with the exception of Volstad Seafood AS which became a wholly owned subsidiary with effect from 1 December 2009.

The SalMar Nord Group has its own financing scheme. During 2007/2008 a new main source of financing for SalMar Nord was established, with a total borrowing framework of NOK 522 million. The financing scheme is divided into two tranches, of which NOK 200 million (NOK 85 million drawn) is a group credit agreement and NOK 300 million (147 million drawn) is a revolving drawing facility. In addition, SalMar Nord AS has long-term debt totalling NOK 19 million. Interest terms are set quarterly and are based on so-called "current terms" relating to NIBOR and a margin.

Estimated annual instalments on leasing liabilities amount to NOK 17,028,000. Leasing agreements have an original term of 60-84 months.

#### Financial covenants

The most important financial covenants for the longterm financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the book value of the Group's equity ratio shall exceed 30% (down to 25% for a 12-month period), and a profitability requirement, which stipulates that the Group's interest-bearing debt to EBITDA ratio shall, on average, not exceed 4.5.

The most important financial covenants for the longterm financing of SalMar Nord AS are, respectively, a solvency requirement, which stipulates that the book value of the Group's equity ratio shall exceed 25%, and a borrowing base equalling the sum of 80% of trade receivables and 70% of inventory.

### NOTE 15 - DEFERRED TAX ASSETS, LIABILITIES AND TAX EXPENSES

NOK 1000

The tax expense for the year breaks down as follows:	2009	2008
Tax payable	144 971	44 601
Change in deferred tax	18 441	20 545
Shortfall/excess tax provisions	-195	728
Tax expense on ordinary profit	163 217	65 874
Tax payable in the balance sheet		
Tax payable	146 283	46 099
Tax paid abroad	-153	0
Change in tax payable in previus years	163	172
Tax payable in the balance sheet	146 293	46 271
Specification of temporary differences		
Intangible assets	720 513	687 385
Property, plant & equipment	36 691	31 495
Long-term financial assets	1 077	1 929
Inventory	1 014 705	989 556
Receivables	-2 267	-2 525
Current liabilities	-584	0
Long-term liabilities	-3 239	-3 690
Gains/losses account	13 489	16 646
Losses carried forward	0	-25
Unused share dividend payments	0	-10
TOTAL temporary differences	1 780 386	1 720 761
Deferred tax liabilities (+) / assets (-)	498 508	481 813

Reconciliation from nominal to actual tax rate		
Profit before tax	634 103	234 702
Expected tax at nominal tax rate	177 549	65 717
Permanent differences (28%)	-13 984	-758
Shortfall/excess tax provisions	-195	916
Tax paid abroad	-153	0
Calculated tax expense	163 217	65 874
Effective tax rate	25,7 %	28,1 %

### NOTE 16 - PENSION COSTS, ASSETS AND LIABILITIES

The company is obliged to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act, and has a pension scheme that fulfils the requirements of this legislation.

The Group switched from a defined-benefits pension scheme to a defined-contribution pension scheme in 2006. However, funds and liabilities relating to sick or disabled employees were retained. The defined-benefits scheme has 1 (2) remaining members. In addition, there are 10 (10) remaining pensioners in the defined-benefits scheme. The effect of the switch was posted to profit and loss in 2006. Certain companies within the Group also operate

an early retirement scheme (AFP) for their employees. 470 (450) employees are covered by the AFP scheme. Liabilities with respect to this scheme are included in the Group's overall pension calculations.

Premiums paid in connection with the defined-contribution scheme are charged to expenses as they accrue. NOK 5,730,000 gross was charged to expenses in connection with the defined contribution pension scheme in 2009.

NOK 1000	2009	2008
Present value of the year's pensions accrual	856	662
Interest expense on pension liabilities	493	522
Return on pension assets	389	470
Expenses	64	152
Accrued employers' national insurance contributions	66	54
Recognised losses/(gains) on estimates	134	269
Termination of defined-benefits scheme	0	0
Net pension cost after employers' national insurance contributions	1 224	1 189
Accrued pension liabilities	10 628	11 227
Accrued pension liabilities Pension fund assets (fair value)	10 628 7 334	11 227 7 019
·		
Pension fund assets (fair value)		
Pension fund assets (fair value) Liabilities assumed in connection with acquisitions	7 334 0	7 019

2009	Secured (OPS)	Unsecured (AFP)	Total
Accrued pension liabilities	6 799	3 830	10 628
Pension fund assets (fair value)	7 334	0	7 334
Accrued employers' national insurance contributions	0	211	211
Unrecognised effect of differences in estimates	-1 094	1 744	650
Net pension liabilities	-1 629	5 784	4 155

	Secured	Unsecured	
2009	(OPS)	(AFP)	Total
Accrued pension liabilities	6 063	5 164	11 227
Pension fund assets (fair value)	7019	0	7 0 1 9
Accrued employers' national insurance contributions	0	284	284
Unrecognised effect of differences in estimates	-681	-215	-896
Net pension liabilities	-1 637 *)	5 233	3 596
*) Deviations from book value are ascribable to capitalised contribution	fund		
Pensions paid already taken into account in the liability above		642	467
Investments in pension fund assets already taken into account in the lia	ability above	184	176
Financial assumptions:		2009	2008
Discount rate		4,50 %	4,50 %
Expected salary adjustment		4,0-4,25%	4,0-4,25%
Expected pension adjustment		2,00 %	2,00 %
Expected adjustment of National Insurance Scheme's basic unit (G)		4,00 %	4,25 %
Expected return on pension fund assets		5,50 %	5,50 %
Expected take-up rate AFP		30,00 %	50-70%
Voluntary exit (all ages)		5-10%	5-10%

### NOTE 17 - SECURITIES AND GUARANTEES, ETC

NOK 1000	2009	2008
Recognised debt secured through securities, etc:		
Short-term debt to credit institutions	84 973	150 899
Long-term debt to credit institutions	779 171	791 271
Other long-term debt	68 070	65 764
Total	932 214	1 007 934
Book value of assets pledged as security for recognised debt		
Property, plant & equipment	1 469 203	1 330 200
Shares	0	0
Inventory	1 114 694	1 069 222
Receivables	252 155	148 596
Total	2 836 051	2 548 018

Leasing liabilities account for NOK 68,069,000 of capitalised long-term liabilities.

SalMar ASA stands surety for a total of NOK 17,000,000 with respect to a credit facility granted by Elcon Finans AS to SalMar Processing AS.

SalMar ASA has issued a guarantee for NOK 5,000,000 to Nord-Trøndelag E-verk on behalf of Follasmolt AS. The guarantee agreement was entered into 1 January 2004 and is reduced by NOK 250,000 per year. As at 31 December 2009 the remaining amount guaranteed totalled NOK 3,500,000.

SalMar ASA has issued guarantees to SalMar Nord AS's lenders that SalMar ASA will inject whatever equity may be necessary to ensure that SalMar Nord AS is at all times able to maintain an equity ratio of at least 25%.

In connection with the financing of the subsidiary Volstad Seafood AS, SalMar ASA has issued a guarantee to the company's lenders in the amount of NOK 27,000,000. SalMar ASA has further issued a guarantee for NOK 10,000,000 in connection with unused credit facilities granted to the subsidiary SalMar Japan K.K.

# NOTE 18 - OTHER OFF-BALANCE SHEET LIABILITIES

#### **Operational leasing agreements**

The Group has entered into agreements for the lease of premises. These agreements are based primarily on investment cost, floor space (m2) and interest rates. Under its contract with the Industrial Development Corporation of Norway (SIVA), the Group has a preferential right to sign a new contract for two further five-year leasing periods at market rates. The contract expires 1 July 2012. An option to purchase is associated with this agreement. A leasing contract has also been entered into with Wessel Invest AS, with the right to a 10-year extension at the same terms. The contract relates to the lease of the Kjørsvik Settefisk facility, and includes the lease of water rights. This contract expires 1 January 2014. In the event of a sale, the Group has the right of first refusal.

Furthermore a leasing contract has been entered into with Nordskag Næringspark AS in connection with the InnovaMar processing plant, which is under construction, with completion in 2010. The lease has a term of 15 years from takeover, with an option for the lessee to renew the lease for an additional 5 + 5 years. The lessee may terminate the contract before its expiry upon 12 months' notice being given. The final leasing amount will be fixed at the time of takeover, based on actual overall costs.

	< 1 year	2-5 years	> 5 years	Total
Total future leasing payments	11 529	126 123	376 147	513 799

# NOTE 19 - OTHER CURRENT LIABILITIES

#### Other current liabilities comprise:

NOK 1000	2009	2008
Accrued holiday pay	20 841	18 054
Accrued costs	22 786	41 783
TOTAL other current liabilities	43 627	59 837

### NOTE 20 - SALES REVENUES

#### Geographic breakdown of sales revenues by customer location

The bulk of the Group's sales revenues derive from the wholly owned subsidiary SalMar Processing AS.

	2009	2008
Asia Russia	21 %	26 %
Russia	13 %	26 %
USA	2 %	0 %
Europe	64 %	48 %
Total	100 %	100 %

# NOTE 21 - SALARIES & PAYROLL COSTS, WORKFORCE, REMUNERATIONS, EMPLOYEE LOANS, ETC.

#### Salary & payroll costs

NOK 1000	2009	2008
Salaries, inc. holiday pay and bonuses	235 112	202 854
Employers' national insurance contributions	14 076	11 403
Pension costs (see Note 16)	4 222	3 992
Options	4 895	9 004
Other benefits	7 211	13 139
Total	265 517	240 393

#### No. of people employed (full-time equivalent) in the financial year

568 547

The SalMar Group has a management team comprising the CEO, CFO and the leaders of the largest business areas.

NOK 1000 - 2009 Senior management	Salary	Bonus, inc. extra. bonus	Benefits in kind	Accrued pension costs	Accrued option costs
Leif Inge Nordhammer, CEO	1 533	0	9	46	0
Roar Husby, CFO	1 333	175	7	35	453
Bjørn Larsen, Head of Farming	1 128	250	11	41	586
Gustav Witzøe, Head of Bus. Dev.	1 065	0	156	49	0
Dag Nikolai Ryste, Head of Sales *	912	0	177	16	0
Roger Sørensen, Head of Process. **	109	0	0	0	0

<sup>\*</sup> whole year at Volstad Seafood AS.

<sup>\*\*</sup> joined the company in November 2009.

NOK 1000 - <b>2008</b> Senior management	Salary	Bonus, inc. extra. bonus	Benefits in kind	Accrued pension costs	Accrued option costs
Leif Inge Nordhammer, CEO	1 242	0	10	42	0
Roar Husby, CFO	1 086	60	8	32	312
Karl Chr Aag, Manager, Smolt	799	1 200	10	32	1 487
Bjørn Larsen, Head of Farming	933	1 200	9	39	1 487
Bjørn Hembre, Manager, SalMar Nord	875	0	7	21	457
Gustav Witzøe, Head of Processing	1 130	0	204	45	0
Pål Storø, Manager, Processing	848	1 200	8	35	1 487

# The remuneration paid to the CEO and other senior executives at SalMar is based on the following main principles.

#### Basic salary

Basic salary is determined on the basis of the duties and responsibilities required of the position, as well as the expertise and length of service of the individual concerned. Salaries are intended to be competitive.

#### Annual bonus

The bonus shall be determined and paid on the basis of the level of the position concerned and the added value which the individual or group of individuals has generated.

#### Payment in kind

The company does not make payments in kind over and above that which is normal for senior executives in comparable companies.

#### Share-based incentive schemes

The company wishes to utilise forms of remuneration which result in senior executives receiving shares, subscription rights or options in accordance with a specified programme. No other forms of remuneration linked to shares or the development of the share price is utilised by the company. The board may not waive the guidelines relative to this matter.

#### Pension schemes

Senior executives shall at all times have competitive pension schemes.

#### Notice of termination and severance pay

Senior executives have a basic period of notice of six months. In certain cases, and depending on the position concerned, salary may be paid for a period of 6-12 months after employment has been terminated.

Other variable elements in the remuneration package. The above notwithstanding, the company shall not offer senior executives variable elements in the remuneration package or specific benefits in addition to their basic salary.

A statement relating to the determination of salaries and other benefits to senior executives at SalMar ASA has been approved by the board. For further details, please see the chapter on Corporate Governance.

#### Directors' fees

NOK 1000

The board of directors	2009	2008
Bjørn Flatgård, leder	240	200
Gustav Witzøe	85	150
Synnøve G Ervik	170	150
Marit Rolseth (elected May 2008)	170	88
Kjell A. Storeide (elected Feb 2008)	170	125
Bjørn Ivan Espnes, employee rep.	85	75

The remuneration paid to the board of directors is not performance based.

#### Loans and guarantees to senior management and company directors

NOK 1000		Amount	Interest rate	Repayment plan
CEO	Loan	1 047	3,6 %	20 ÅR

#### Loans and guarantees to employees

NOK 1000	Loans	Surety
Employees	2 440	-

#### Options:

Group management and 9 other employees have received a total of 2,100,000 options to purchase company shares. The CEO and directors do not have options. Group management has the following options:

Senior management	Options granted	No. of options exercised	No. of options CB	Average strike price - A	Average term
Leif Inge Nordhammer, CEO	-	-	-	-	-
Roar Husby, CFO	100 000	-	100 000	39	2 years
Bjørn Larsen, Mngr. Fish Farming	325 000	-	325 000	39	2 years
Gustav Witzøe, Business Develop.	-	-	-	-	-
Dag Nikolai Ryste,Mngr. Sales	-	-	-	-	-
Roger Sørensen, Mngr. Processing	-	-	-	-	-

A - average strike price for options held at the end of the financial year.

1/3 of the options granted may be exercised from the date of the company's annual general meeting in 2008 until one week after the publication of the company's first quarter report 2011. 1/3 of the options granted may be exercised from the date of the company's AGM in 2009 until one week after the publication of the first quarter report 2011. 1/3 of the options granted may be exercised from the date of the company's AGM in 2010 until one week after the publication of the first quarter report 2011. Options may only be exercised if the holder is an employee of the company at the start of the relevant exercise period. The exercise period was restricted to one year after the accrual period (which was 1, 2 and 3 years respectively), options may now be exercised as described

above. This change resulted in an increased option cost for 2008 of NOK 2,358,000.

Fair value per option on the date it was awarded is calculated using the Black & Scholes option pricing model. The most important input data were the share price when the option was granted (NOK 39), the strike price (NOK 39), volatility at 30%, risk-free interest of 5% and the term of the option.

Employers' national insurance contributions are included in the provisions made to cover this liability.

#### **Auditor**

#### Fees paid to the auditor (ex. VAT) break down as follows:

NOK 1000	2009	2008
Statutory auditing	798	739
Other certification services	90	66
Tax advisory services	124	37
Other services	362	168
Total	1 374	1 010

### NOTE 22 - OTHER OPERATING EXPENSES

#### Specification of other operating expenses:

NOK 1000	2009	2008
Maintenance	55 993	48 968
Operating equipment	28 575	17 589
Direct input factors	51 797	76 572
Delivery costs	94 857	77 787
Other operating expenses	80 750	32 785
Total	311 973	253 701

#### R&D costs:

R&D costs include expenses relating to research and administrative personnel, technical equipment and facilities, and sums paid for external research services.

Since the criteria for capitalisation are not deemed to have been met, costs are charged to expenses. A total of NOK 9,142,000 in R&D costs was charged to expenses in 2009.

### NOTE 23 - GOVERNMENT GRANTS

Group companies have taken no government grants to income with respect to the 2009 financial year. A total of NOK 1,646,000 in SkatteFUNN contributions were taken to income with respect to the 2008 financial year.

# NOTE 24 - NET GAINS/LOSSSES ON FOREIGN EXCHANGE

#### Net gains/losses on foreign exchange recognised in profit and loss:

NOK 1000	2009	2008
Financial revenue	28 462	0
Financial expenses	0	13 683
Net gains/losses	28 462	-13 683

### NOTE 25 - EARNINGS PER SHARE

NOK 1000	2009	2008
Net profit (majority share)	470 869	168 579
IAS 41 Fair value adjustment of the biomass	4 624	32 996
Tax on changes in value	-1 295	-9 239
Adjusted net profit (majority share)	474 199	192 336
Ordinary shares as at 1 Jan	103 000 000	103 000 000
Effect of share issue	-	-
Effect of buy-back of own shares	-289 315	-77 260
Average no. of shares outstanding through the year	102 710 685	102 922 740
Effect of options granted	2 937	_
Average no. of diluted shares outstanding through the year	102 713 622	102 922 740
Earnings per share		
Basic	4,58	1,64
Diluted	4,58	1,64

In 2008 SalMar ASA bought back 600,000 of its own shares. The buy-back was carried out at a price of NOK 31 per share. In 2009 SalMar ASA bought back 800,000 of its own shares. The buy-back was carried out at a price of NOK 44 per share.

### NOTE 26 - CLOSELY RELATED PARTIES/INDIVIDUAL TRANSACTIONS

The Group's parent company is SalMar ASA. The overall parent company is Kverva AS, which owns 53.4% of the shares in SalMar ASA. The ultimate parent company is Kvarv AS, which prepares its own consolidated accounts in accordance with NGAAP.

#### Transactions involving closely related parties:

NOK 1000

Closely related party	Type of transaction	Size of transaction	Outstanding balance
Overall parent company (1)	Size of outstanding balance		84
Companies under same control	Size of outstanding balance		4 021
Group subsidiaries (2)	Internal reinvoicing by SalMar ASA	28 003	
	(3) Intra-group interest charges	12 796	
	(4) Size of internal outstanding balance		531 713
Senior management & board	See Note 21		

(1)

Receivables from parent company on the balance sheet date.

(2)

Receivables from associated company Nordskag Næringspark AS on the balance sheet date.

The InnovaMar construction project was transferred to Nordskag Næringspark AS in 2009.

The transaction and information relating to the transaction were dealt with at SalMar ASA's AGM on 28 May 2009.

(3)

Internal reinvoicing by SalMar ASA of costs relating to services provided to subsidiaries. The amount is eliminated for consolidation.

(4)

Interest charges incurred by group companies for use of group credit facilities. The amount is eliminated for consolidation.

(5)

Sum of eliminated intra-group receivables and liabilities on the balance sheet date.







# INCOME STATEMENT

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2009	2 008
Sales revenues	2	28 056	29612
Other operating revenues		0	0
Total operating revenues		28 056	29 612
Cost of goods sold		0	0
Salary & payroll costs	3, 10, 15	18833	20 830
Dep. property, plant & equipment and intangible assets	4	238	271
Other operating costs	3	14 037	11 899
Total operating expenses		33 109	32 999
Operating profit/loss		-5 052	-3 387
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investment in subsidiaries	5	410 000	98 000
Income from investment in associated companies	_	5 082	45 000
Interest received from group companies		12 796	27 382
Other interest income		1 350	1 597
Other finanical income		241	0
Write-down of financial assets		0	0
Interest paid to group companies		0	0
Other interest expenses		20 334	47 964
Other financial expenses		673	770
Net financial income		408 461	123 245
Profit before tax		403 409	119 857
Tax	12	111 724	22 320
NET PROFIT FOR THE YEAR		291 684	97 537
ALLOCATIONS			
To dividend		223 520	41 200
To/from other equity		68 164	56 337
TOTAL allocations	9	291 684	97 537
Group contributions received before tax		410 000	98 000

# BALANCE SHEET 31. DECEMBER NOK 1000

ASSETS	NOTE	2009	2 008
Non-current assets • Intangible assets			
Licences, patents, etc		0	0
Deferred tax assets		0	0
Total intangible assets		0	0
PROPERTY, PLANT & EQUIPMENT			
Land, buildings and other real property	4	541	541
Plant, equipment and operating consumables	4	1 547	449
Means of transport, etc	4	642	770
Total property, plant & equipment	4, 14	2 730	1 760
LONG-TERM FINANCIAL ASSETS			
Investments in subsidiaries	5	451 646	435 127
Loans to group companies	7, 11, 14	451 692	311 795
Investments in associated companies		186 265	169 127
Loans to associated companies and joint ventures		0	0
Investments in shares and other securities	6	193	193
Pension fund assets	10	96	0
Other receivables	7	9813	1 839
Total long-term financial assets		1 099 705	918 082
Total non-current assets		1 102 435	919 842
CURRENT ASSETS			
Inventory		0	0
Total inventory		0	0
RECEIVABLES			
Account receivables	14	23	0
Parent company receivables		84	84
Other receivables	11,14	463 550	193 378
Total receivables		463 657	193 461
Bank deposits, cash & cash equivalents	17	1 131	572
Total current assets	·	464 788	194 033
TOTAL ASSETS		1 567 223	1 113 875

# **BALANCE SHEET**

NOK 1000

EQUITY AND LIABILITIES	NOTE	2009	2 008
Equity • Paid-in equity			
Share capital	8,9	25 750	25 750
Own shares	9	-350	-150
Share premium fund	9	112 880	112 880
Other paid-in equity	9	22 512	17617
Total paid-in equity		160 793	156 097
Retained earnings			
Other equity	9	91 374	58 146
Total retained earnings		91 374	58 146
Total covity	9	252 167	214 242
Total equity	9	252 167	<b>214 24</b> 3
LIABILITIES			
PROVISIONS			
Pension liabilities	10	0	0
Deferred tax liabilities	12	454	745
Total provisions		454	745
OTHER LONG-TERM LIABILITIES			
Debt to credit institutions	13,14	606 900	616 000
Other long-term liabilities	13,14	0	0
Total other long-term liabilities		606 900	616 000
CURRENT LIABILITIES			
Debt to credit insitutions	13, 14	308 169	151 385
Accounts payable	15, 14	1 354	2 454
Tax payable	12	112710	22 139
Dividend	8,9	223 520	41 200
Public charges payable	0, 5	1 392	748
Other current liabilities	11	60 559	64 961
Total current liabilities		707 704	282 888
Total liabilities		1 315 057	<b>899 63</b> 3
TOTAL EQUITY AND LIABILITIES		1 567 223	1 113 875
-			

Trondheim, March 25th 2010

Bjørn Flatgård *Board Chair*  Gustav Witzøe Director Synnove G. Ervil Synnøve G. Ervik Director

Njele A Florida Kjell A. Storeide

Director

Marit Rolseth

Director

Gran Luntopme Bjørn Ivan Espnes Director

(employee representative)

Leif Inge Nordhammer
President & CEO

# STATEMENT OF CASH FLOW

NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES	2009	2008
Profit before tax	403 409	117 255
Tax paid during the period	-22 120	-24 532
Depreciation	238	271
Recognised dividend from associated companies	-5 082	-45 000
Gains/losses from sale of shares	0	0
Gains/losses from sale of fixed assets	0	0
Recognised group contribution	-410 000	-98 000
Group contribution received	98 000	100 000
Options	4 895	5 458
Change in inventory	0	0
Change in trade receivables	-23	52
Change in trade payables	-1 100	1 815
Change in other time-limited items	38 528	-3 584
Net cash flow from operating activities	106 745	53 735
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant & equipment	0	0
Payments for purchase of property, plant & equipment	-1 209	-108
Change in intra-group balances	-134 599	-241 468
Proceeds from sale of long-term financial assets	0	0
Payments for purchase of long-term financial assets	-41 727	-13 237
Net cash flow from investing activities	-177 535	-254 813
CASH SLOW (SDOM SIMANSIMS ASTIMITIES		
CASH FLOW FROM FINANCING ACTIVITIES	24.000	40.200
Long-term debt raised	24 000	40 200
Long-term debt repaid	-33 100	-33 100
Net change in bank overdraft	156 784	151 385
Change in debt to parent company	0	0
Net paid-in after share issue	0	0
Purchase of treasury shares	-35 376	-18 693
Dividend (paid)	-40 960	-113 300
Net cash flow from financing activities	71 348	26 492
Net change in bank deposits, cash and cash equivalents	558	-174 586
Bank deposits, cash and cash equivalents as at 1 Jan	572	175 157
Bank deposits, cash and cash equivalents as at 31 Dec	1 131	572
		3, 2
Unused drawing rights	958 300	815 000



NOTES to the Financial Statements 2009

### NOTE 1 - ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway. The accounting principles described below apply only to the parent company SalMar ASA. The notes relating to the SalMar Group are presented along with the Group's consolidated financial statements.

#### **USE OF ESTIMATES**

Preparation of the financial statements in accordance with generally accepted accounting principles requires that management make assessments, estimates and assumptions that affect the application of accounting principles, the recognised value of assets and liabilities in the balance sheet, revenues and expenses for the financial year, as well as information relating to uncertain assets and liabilities on the balance sheet date. Estimates and their underlying assumptions are based on historic experience and other factors which are deemed to be relevant and probable at the time the assessment is made. These assessments affect the book value of assets and liabilities where the valuation is not based on other sources. Estimates are assessed continually, and final values and results may deviate from these estimates. Changes in accounting estimates are recognised in the period in which the change takes place.

# CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Liquidity is defined as cash and bank deposits. Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets and normally include items falling due for payment within one year, as well as items associated with the production cycle. The classification of current and long-term liabilities is based on the same criteria.

Fixed assets are valued at acquisition cost. If the recoverable portion of the fixed asset is lower than its book value, and the impairment is not expected to be temporary, the asset is written down to its recoverable value. Fixed assets with a limited economic life are depreciated systematically.

Current assets are valued at the lower of acquisition cost and fair value.

Other long-term liabilities are valued at par.

#### **REVENUES**

Revenue from the sale of goods is recognised when it is earned, ie when the majority of both the risk and control of the item sold has been transferred to the customer. This will normally be when the item has been delivered to the customer. Revenues are recognised at the value of the consideration payable at the time the transaction took place. Services are taken to income as they are performed. Operating revenues are recognised less public charges, discounts, bonuses and other sales costs.

#### PUBLIC FUNDING

Operating subsidies are periodised and classified along with the revenues they are intended to augment or the costs they are intended to reduce.

#### **RECEIVABLES**

Trade receivables and other receivables are recognised at par less provisions for bad debts. Provisions for bad debts are determined on the basis of an assessment of the individual receivable.

#### PROPERTY, PLANT & EQUIPMENT

Items of property, plant and equipment are capitalised at historic cost price and are depreciated over the asset's expected lifespan. Costs directly relating to maintenance of property, plant and equipment are charged to expenses as they arise, while enhancements or improvements are added to the asset's cost price and depreciated in line with the asset itself. If the recoverable portion of an item of property, plant and equipment is lower than its book value, the asset is written down to its recoverable value. The recoverable value is the higher of net sales value or value in use. Value in use is the present value of future cash flows which the asset will generate.

#### SHARES

Subsidiaries, associated companies and other shares classified as fixed assets are valued in accordance with the cost method. Subsidiaries are companies in which SalMar ASA has a deciding influence, as a result of either legal or actual control. In principle, a deciding influence is deemed to exist when the company's direct or indirect shareholding exceeds 50 per cent of the voting capital. Associated companies are companies in which SalMar has a considerable influence. Considerable influence is normally deemed to exist when the company owns 20-50 per cent of the voting capital. Investments are valued at the shares' acquisition cost unless a write-down has been necessary. Write-downs to fair value are performed when the impairment is due to reasons that are not deemed to be of a temporary nature and are required under generally accepted accounting principles. Write-downs are reversed when the reason for the write-down is no longer applicable.

Dividend and other payouts are recognised as other financial income. If the dividend exceeds the share of withheld profit/loss after acquisition, the surplus amount represents a repayment of invested capital, and the payouts are deducted from the value of the investment in the balance sheet.

#### **PENSIONS**

The company switched its occupational pension scheme to a defined contribution plan in 2006. Pension premiums are charged to expenses as they arise, and the Group has no other liabilities over and above this annual payment.

#### SHARE-BASED REMUNERATION

The fair value of share options is determined at the date of issue. The valuation is based on recognised valuation models adapted to the properties of the options concerned. The value as determined at the date of issue is periodised in the income statement over the options' accrual period, with a corresponding increase in paid-in equity. The accrual period is the period from the establishment of the scheme until the options are fully accrued. The value of options relating to employees of subsidiary companies is recognised as an investment in subsidiaries.

#### TAX

The tax expense is matched against profit/loss before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable (tax on the company's taxable

income for the year as it appears in the income statement), and any change in net deferred tax. Deferred tax is calculated at the rate of 28 per cent on the temporary differences between accounting and tax values, as well as tax-related losses carried forward at the end of the financial year. Deferred tax liabilities and deferred tax assets are presented net in the balance sheet.

#### STATEMENT OF CASH FLOW

The company's statement of cash flow shows a breakdown of the company's cash flow by operating, investing and financing activity. The statement shows the individual activity's impact on liquidity. The statement of cash flow has been drawn up in accordance with the indirect method.

# CHANGES IN ACCOUNTING PRINCIPLES AND COMPARABLE FIGURES

The figures presented for the previous year's accounts are comparable.

### NOTE 2 - SALES REVENUES

The parent company SalMar ASA is a holding company primarily engaged in the provision of administrative services to subsidiaries. The parent company's revenues therefore derive solely from one business area.

# NOTE 3 - PAYROLL COSTS, NO. OF EMPLOYEES, REMUNERATION, EMPLOYEE LOANS, ETC

PAYROLL COSTS	2009	2008
Salary, incl. holiday pay and bonuses	13 919	14 773
Employers' national insurance contributions	1 187	612
Pension costs	375	366
Options	2 480	2 856
Other benefits	872	2 222
Total	18 833	20 830
No. of people employed (full-time equivalents) during the year	16	14

#### REMUNERATION PAID TO SENIOR COMPANY OFFICERS AND THE AUDITOR

Please see Note 21 to the consolidated financial statements for details of the remuneration paid to senior executives.

#### **OPTIONS**

Seven company employees received a total of 1,225,000 options to acquire company shares. The CEO and members of the company's board of directors do not have options. In addition, eight people employed by subsidiaries received a total of 875,000 options to acquire company shares. With effect from 2008, the option cost relating to employees of subsidiary companies is charged to expenses by the respective subsidiaries. An option cost of NOK 2,602 from 2007 relating to employees of subsidiary companies reduced the option cost in 2008. Please see Note 21 to the consolidated financial statements for further details regarding the option scheme.

#### **AUDITOR**

The fee paid to the auditor, excl. VAT, breaks down as follows:

	2009	2008
Statutory auditing services	133	165
Other certification services	14	14
Tax advisory services	0	6
Other services	156	64
Total	303	248

# NOTE 4 - PROPERTY, PLANT & EQUIPMENT NOK 1000

	Real property	Operating equipment,	Vehicles & other means of	
		fixtures, etc	transport	TOTAL
A 111 2000	E 4.1	1.505	1 220	2 4 4 4
Acquisition cost 1 Jan 2009	541	1 565	1 338	3 444
Additions	0	1 209	0	1 209
Disposals	0	0	0	0
Acquisition cost 31 Dec 2009	541	2 774	1 338	4 653
Acc. depreciation & write-downs 1 Jan 2009	0	1 117	567	1 684
Year's depreciation	0	110	28	238
Year's write-downs	0	0	0	0
Reversed write-downs	0	0	0	0
Acc. depreciation 31 Dec 2009	0	1 227	696	1 923
Net acc. & rev.				
write-downs 31 Dec 2009	0	0	0	0
Acc. dep., write-downs & reversals 31 Dec 2009	0	1 227	696	1 923
Book value as at 31 Dec 2009	541	1 547	642	2 730
Economic lifespan		7-20 years	5-14 years	
Depreciation plan		straight line	straight line	
Gains/losses on the sale of fixed assets	0	0	0	0
Annual leasing cost for off-balance sheet PP&E	366	263	0	629
7 II II dai Teasii 10 cost 101 off balance sheet 11 de	300	203	Ü	OLJ

# NOTE 5 - SUBSIDIARIES, ASSOCIATED COMPANIES, ETC

Subsidiaries and associated companies are recognised in accordance with the cost method.

	Consolidated	Business	Voting share/	Book value in
COMPANY	(yes/no)	address	shareholding	SalMar ASA
Follasmolt AS	YES	Kverva	100 %	20 280
SalMar Farming AS	YES	Kverva	100 %	84 368
SalMar Nord AS	YES	Senja	100 %	314 946
SalMar Processing AS	YES	Kverva	100 %	5 933
Astamarin AS	YES	Kverva	100 %	5 015
SalMar - tunet AS	YES	Kverva	100 %	7 000
Volstad Seafood AS	YES	Ålesund	100 %	14 104
TOTAL susidiaries				451 646
Norskott Havbruk AS	NO	Bergen	50 %	162 787
Nordskag Næringspark AS	NO	Kverva	42,5 %	23 375
Trøndersk Kystkompetanse AS	NO	Dyrvik	20 %	103
TOTAL associated companies				186 265

COMPANY	Recognised dividend	Equity as per latest financial statement	Profit/loss as as per latest financial st.
Norskott Havbruk AS	5 082	368 980	103 550
Nordskag Næringspark AS	0	55 110	0
Trøndersk Kystkompetanse AS	0	500	0
SalMar ASA recognises group contributions from the following	ng subsidiaries:	2 009	2008
Follasmolt AS	_	0	5 000
SalMar Farming AS		410 000	90 000
SalMar Processing AS		0	3 000
TOTAL		410 000	98 000

# NOTE 6 - OTHER FINANCIAL ASSETS

LONG-TERM FINANCIAL ASSETS - SHARES IN OTHER COMPANIES

This list includes all shareholdings of less than 20 per cent as at 31 Dec 2009	Shareholding	Book value
Aqua Gen AS	0,19 %	181
Hitra Frøya Fastlandssamband AS	-	3
Frøya Flyplass DA	-	10
TOTAL		193

# NOTE 7 - RECEIVABLES FALLING DUE MORE THAN ONE YEAR HENCE

NOK 1000	2009	2008
Other receivables	8 143	143
Loans to employees	1 670	1 697
Loans to group companies	451 692	311 795

# NOTE 8 - SHARE CAPITAL AND SHAREHOLDERS

The company's share capital as at		Face value	Book value
31 December 2009 comprised:	No.	NOK	NOK 1000
Ordinary shares	103 000 000	0,25	25 750

Please see Note 11 to the consolidated financial statements for details of the largest shareholders and senior executives' holdings of company shares.

#### DIVIDEND

The board of directors is proposing a dividend of NOK 2.20 per share. If the AGM approves the proposal, it will result in a total payout of NOK 223.5 million (excl. own shares). The proposed dividend is recognised as a liability as at 31 December 2009.

# NOTE 9 - EQUITY NOK 1000

	Share	Treasury	Share premium	Paid-in other
Paid-in equity	capital	shares	fund	equity
Equity as at 1 Jan 2009	25 750	-150	112 880	17617
Change in equity				
Options	0	0	0	4 895
Purchase of own (treasury) shares	0	-200	0	0
Group contributions received/paid	0	0	0	0
Equity as at 31 Dec 2009	25 750	-350	112 880	22 512

Retained earnings	Fund for valuation differences	Other equity	Total retained earnings
Equity as at 1 Jan 2009	0	58 146	58 146
Net profit for the year	0	291 684	291 684
Group contributions received/paid	0	0	0
Purchase of own (treasury) shares	0	-35 176	-35 176
Dividend	0	-223 280	-223 280
Equity as at 31 Dec 2009	0	91 374	91 374

# NOTE 10 - PENSION COSTS

The company has a statutory obligation to provide an occupational pension scheme under the the Compulsory Occupational Pensions Act, and has a pension scheme which meets the Act's requirements.

The company has no defined benefits pension schemes. Premiums under the defined contribution scheme are charged to expenses as they fall due. NOK 558 000 was charged to expenses in connection with the defined contribution scheme in 2009 (NOK 546 000 in 2008).

# NOTE 11 ¬ INTRA-GROUP BALANCES, ETC NOK 1000

	Loans		Other receivables	
Loans	2009	2008	2009	2008
Group companies	451 692	311 795	432 909	131 622
Associated companies	0	0	65	0
Total	451 692	311 795	432 974	131 622

			Group	)
Other curre	ent liabilities		contributions	
	2009	2008	2009	2008
Group companies	57 112	62 527		0
Associated companies	0	0		0
Total	57 112	62 527	C	0

### NOTE 12 - TAX NOK 1000

BREAKDOWN OF THE YEAR'S TAX EXPENSE	2009	2008
Tax payable	112016	22 140
Change in deferred tax	-292	368
Tax provisions (surplus/deficit)	0	-187
Tax on ordinary profit	111 724	22 320
BREAKDOWN OF THE YEAR'S TAXABLE INCOME	2009	2008
Profit before tax	403 409	119857
Permanent differences	-4 393	-39 472
Change in temporary differences	1 042	-1 313
Group contributions received/paid	0	0
Tax-losses carried forward	0	0
Taxable income for the year	400 057	79 073
	2000	2000
Tax payable in the Balance Sheet	2009	2008
Tax payable for the year	112016	22 140
Tax on group contributions paid	0	0
Change in tax payable in previous years	694	-1
Tax on equity transactions	0	0
Tax payable in the Balance Sheet	112 710	22 139

BREAKDOWN OF TEMPORARY DIFFERENCES	2009	2008
Property, plant & equipment, incl. goodwill	925	659
Leased assets and leasing liabilities	0	0
Long-term financial assets		96 0
Receivables	-75	0
Inventory	0	0
Receivables - taxable dividends	152	1 350
Current liabilities	0	0
Long-term liabilities	0	0
Profit & loss account	522	652
Losses carried forward	0	0
Unutilises remuneration share dividend	0	0
TOTAL temporary differences	1 620	2 661
Deferred tax liabilities (+) / deferred tax assets (-)	454	745
RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATE Profit before tax Expected income tax at nominal tax rate Permanent differences (28%) Tax provisions (surplus/deficit) Calculated tax expense	<b>2009</b> 403 409 112 954 -1 230 0 111 724	2008 119857 33 560 -11 052 -187 22 320
Effective tax rate	27,7 %	18,6
NOTE 13 - DEBT NOK 1000		
DEBT FALLING DUE MORE THAN FIVE YEARS AFTER		
THE CLOSE OF THE FINANCIAL YEAR:	2009	2008
Debt to credit institutions	441 400	450 500
Other long-term debt	0	0
Total other long-term debt	441 400	450 500

#### DEBT REPAYMENT PLAN

In December 2006 SalMar entered into a new loan agreement, which is divided into four facilities – each with a separate repayment plan and quarterly instalments. Interest rates are floating based on so-called "pt terms".

#### FINANCIAL COVENANTS

The most important financial covenants for the long-term financing of SalMar ASA are a solvency requirement under which the Group's recognised equity ratio must remain over 30 per cent (down to 25 per cent for a 12-month period), and a requirement that, on average, the company's interest-bearing debt to consolidated EBITDA ratio does not exceed 4.5.

Please see Note 14 to the consolidated financial statements for further details of company funding.

# NOTE 14 - SECURITIES, GUARANTEES, ETC NOK 1000

RECOGNISED DEBT SECURED THROUGH SECURITIES, ETC:	2009	2008
Short-term debt to credit institutions	0	0
Long-term debt to credit institutions	606 900	616 000
Other long-term debt	0	0
Total	606 900	616 000
BOOK VALUE OF ASSETS PLEDGED AS SECURITY		
FOR RECOGNISED DEBT	2009	2008
Property, plant & equipment	2 730	1 760
Shares	451 646	435 127
Inventory	0	0
Receivables	427 715	490 339
Total	882 091	927 226

SalMar ASA has issued guarantees totalling NOK 17,000,000 on behalf of SalMar Processing AS with respect to credit facilities granted by Elcon Finans AS.

SalMar ASA has issued a guarantee in the amount of NOK 5,000,000 to Nord-Trøndelag E-verk on behalf of Follasmolt AS. The guarantee was issued on 1 January 2004, and is reduced incrementally each year by NOK 250,000. As at 31 December 2009, the remaining sum guaranteed totalled NOK 3,500,000.

SalMar ASA has issued a guarantee to SalMar Nord AS's lenders that SalMar ASA will provide the equity necessary to ensure that SalMar Nord AS always has an equity ratio of at least 25 per cent.

In connection with the financing of the subsidiary Volstad Seafood AS, SalMar ASA has issued a guarantee totalling NOK 27,000,000 to the company's lender. Furthermore, SalMar ASA has issued a guarantee totalling NOK 10,000,000 in connection with unutilised credit facilities granted to the subsidiary SalMar Japan K.K.

### NOTE 15 - PUBLIC INCENTIVES

The company has not recognised any R&D projects entitled to financial incentives under the SkatteFUNN scheme in 2009. NOK 596,921 in SkatteFUNN incentives relating to the 2008 financial year have been recognised.

### NOTE 16 - FINANCIAL RISK

Please see Note 2 to the consolidated financial statements for further details of how the financial and market risks to which the company and Group are exposed are managed.

### NOTE 17 - BANK DEPOSITS

At at 31 December 2009 the item Bank deposits, cash and cash equivalents included TNOK 1,131 in restricted funds relating to employee tax deductions. The corresponding figure for 2008 was TNOK 572.





PricewaterhouseCoopers AS Brattørkaia 17 B NO-7492 Trondheim Telephone +47 95 26 00 00 Telefax +47 23 16 10 00

To the Annual Shareholders' Meeting of SalMar ASA

#### Auditor's report for 2009

We have audited the annual financial statements of SalMar ASA as of 31 December 2009, showing a profit of NOK 291 684 000 for the parent company and a profit of NOK 470 886 000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of comprehensive income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

#### In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and
  regulations and give a true and fair view of the financial position of the company as of 31 December 2009
  and the results of its operations and its cash flows for the year then ended, in accordance with accounting
  standards, principles and practices generally accepted in Norway
- the financial statements of the group have been prepared in accordance with the law and regulations and
  give a true and fair view of the financial position of the group as of 31 December 2009, and the results of its
  operations and its cash flows and the changes in equity for the year then ended, in accordance with
  International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern
  assumption, and the proposal for the allocation of the profit are consistent with the financial statements and
  comply with the law and regulations.

Trondheim, 25 March 2010
PricewaterhouseCoopers AS

Trond Tuvstein State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

# STATEMENT OF RESPONSIBILITY

#### FROM THE BOARD AND CEO

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2009 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the Board of Directors'
Report includes a true and fair review of
the development and performance of the
business and the position of the entity and
the group, together with a description of
the principal risks and uncertainties facing
the entity and the group.

Trondheim, March 25th 2010

Bjørn Flatgård Chairman of the Board Leif Inge Nordhammer Managing Director Gustav Witzøe

Director

Synnove G. Ervik

Synnøve G. Ervik

Director

Kjell A. Storeide *Director*  Bjørn Ivan Espnes *Director*  Marit Rolseth

Director



**SalMar ASA** N-7266 Kverva - Norway Phone +47 72 44 79 00 Fax +47 72 44 79 01

